

CLATSOP COMMUNITY COLLEGE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2012

Clatsop Community College
Clatsop County, Oregon

Annual Financial Statements

Year Ended June 30, 2012



BOARD OF DIRECTORS

Paul Gillum
Chair

303 Pleasant Avenue
Astoria, Oregon 97103

Jim Scheller
Vice-Chair

32607 Turlay Lane
Warrenton, Oregon 97146

Dirk Rohne
Director

43738 Gerttula Lane
Astoria, Oregon 97103

Dr. Stephen Berk
Director

89245 Saddle Mountain Rd.
Astoria, Oregon 97103

Dr. Frank Satterwhite
Director

36634 Christians Lane
Astoria, Oregon 97103

Rosemary Baker-Monaghan
Director

1880 S. Edgewood
Seaside, Oregon 97138

Kirsten Ayles
Director

749 Pacific Drive
Hammond, Oregon 97146

Dr. Larry Galizio, President

JoAnn Zahn, Vice President Finance & Operations

**CLATSOP COMMUNITY COLLEGE
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2012**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	10
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	12
STATEMENT OF CASH FLOWS	13
NOTES TO FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS	36
SUPPLEMENTARY INFORMATION	
BALANCE SHEET	38
SCHEDULE OF CHANGES IN FUND BALANCES	39
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE COMPARED WITH BUDGET	40
AUDITORS' COMMENTS AND REPORTS	
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>OREGON AUDITING STANDARDS</i>	48
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON INTERNAL CONTROL AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	50
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	52

**CLATSOP COMMUNITY COLLEGE
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	54
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	55
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS	56
PRIOR YEAR FINDINGS AND QUESTIONED COSTS	61



INDEPENDENT AUDITORS' REPORT

Board of Directors
Clatsop Community College
Astoria, Oregon

We have audited the statement of net assets of Clatsop Community College (the College) as of and for the year ended June 30, 2012, 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 the Clatsop Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Clatsop Community College Foundation have not been audited.

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

The financial statements of Clatsop Community College Foundation (the Foundation) have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the College's basic financial statements. The Foundation's financial activities are included in the College's basic financial statement as a discretely presented component unit.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Foundation's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of June 30, 2012, 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.


As described in Note 1, the College corrected its accounting for capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013 on our consideration of the 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.

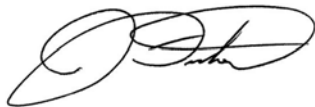
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of other postemployment benefits (OPEB) funding progress on pages 3 through 9 and page 36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The balance sheet, schedule of changes in fund balances, and schedule of revenues, expenditures and changes in fund balance compared with budget listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The balance sheet, schedule of changes in fund balances, the schedule of revenues, expenditures and changes in fund balance compared with budget, and the schedule of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



CliftonLarsonAllen LLP

Bellevue, Washington
February 12, 2013



John T. Fisher, CPA, CGFM
Partner
Oregon License #9781
Municipal License #1305

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Introduction

This section of Clatsop Community College's annual audit presents an analysis of the financial activities of the College for the fiscal year ended June 30, 2012. 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.

Financial Highlights

- The District's primary funding source is public support from local property tax supplemented by grants-in-aid received from the State of Oregon. The primary basis of state support is the calculation of student Full-Time Equivalents (FTEs). During the 2011-2012 academic year, total reported reimbursable FTEs were 1,437.62 as contrasted to 1,459.86 in the 2010-2011 academic year. As FTE enrollment for which the College was reimbursed by the state's enrollment management formula was capped at 1,354, the 83.62 FTE above the cap was unfunded for academic year 2011-2012.

The formula cap funding limitations in addition to slow economic recovery from the 2008 recession required the College to significantly reduce expenditures to address a \$1 million budget shortfall. Employees received no cost of living increases and salaries were reduced by furlough days depending on employee group (Management 5, Faculty 4, and Classified 2). Staffing was decreased in all employee groups by early retirement, resignation, and layoff. Travel and supplies budgets were also reduced to successfully meet the budget shortfall target.

- During the 2011-12 fiscal year, the College provided over \$6 million in financial aid to students. This aid was in the form of grants, scholarships, student employment opportunities, and loans funded through the federal government, State of Oregon, and local funding as shown below.

Federal Work Study	\$ 92,209
Federal SEOG	96,216
Federal Pell Grant	2,676,968
Federal Direct Student Loans	2,562,744
CCC Foundation Scholarships	160,419
Oregon Need Grant	237,368
Institutional Waivers and Grants	203,485
Total Financial Aid Provided to Students	<u>\$ 6,029,409</u>

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 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. 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.

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Overview of the Financial Statements (Continued)

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 nonfinancial 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 the 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 nonoperating, with operating revenues primarily coming from tuition, grants, and contracts. State appropriations, property taxes, and Pell grants for students are classified as nonoperating 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 the College students and programs. The College has not identified any other organizations that might be considered additional component units under GASB Statement No. 39. The financial information presented for the Foundation has been reviewed by auditors as of June 30, 2012.

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Financial Analysis of the College as a Whole

Statement of Net Assets

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 are the difference between assets and liabilities, and are one measure of the financial condition of the College.

Fiscal year 2012 compared to 2011

	<u>2012</u>	<u>2011 (Restated)</u>	<u>Percent Change</u>
ASSETS			
Current Assets	\$ 3,553,030	\$ 5,720,304	(38)%
Noncurrent Assets:			
Other Noncurrent Assets	16,110,271	15,233,329	6
Capital Assets, Net of Depreciation	<u>36,500,194</u>	<u>37,234,563</u>	(2)
Total Assets	<u>\$ 56,163,495</u>	<u>\$ 58,188,196</u>	(3)
LIABILITIES			
Current Liabilities	\$ 4,280,885	\$ 5,423,057	(21)
Long-Term Debt, Noncurrent Portion	<u>28,220,054</u>	<u>28,858,092</u>	(2)
Total Liabilities	32,500,939	34,281,149	(5)
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	22,185,509	23,379,203	(5)
Temporarily Restricted	2,797,399	1,017,744	175
Unrestricted	<u>(1,320,352)</u>	<u>(489,900)</u>	170
Total Net Assets	<u>23,662,556</u>	<u>23,907,047</u>	(1)
Total Liabilities and Net Assets	<u>\$ 56,163,495</u>	<u>\$ 58,188,196</u>	(3)

At June 30, 2012, the College's assets were approximately \$56.2 million. The College's current assets of \$3.6 million were less than current liabilities of \$4.3 million. This represents a current ratio of 0.84, in comparison to 1.05 in the prior year. Efforts to improve cash flow by reducing expenditures have been, and continue to be, addressed. Cash and investments of \$1.442 million represent 41 percent of the current assets while \$1.86 million is made up of receivables from property taxes, governmental receivables, and student receivables. Other noncurrent assets increased to \$16.1 million from \$15.2 million in 2011. Capital assets decreased to \$36.5 million compared to \$37.2 million in 2011.

The College's current liabilities of \$4.3 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, and facilities bond obligations. Noncurrent liabilities decreased by \$638 thousand and consist of long-term debt: waterline to MERTS, pension bond obligations, facilities bond obligations, and the liability to record OPEB.

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Financial Analysis of the College as a Whole (Continued)

Within net assets, the "investment in capital assets, net of related debt" amounts to \$22.2 million, a decrease of \$1.2 million over the prior year. This amount represents the College's plant and equipment, less accumulated depreciation and related debt. The \$2.797 million temporarily restricted net asset represents the ASH Funds restricted for phase 3 of the strategic plan dedicated to the Health and Wellness Center and the balance in the JCRP fund. Unrestricted net assets of \$(1.3) million decrease represents spend down of fund balance corresponding with the reduction in current assets.

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets present the operating results of the College, as well as the nonoperating revenues and expenses. Annual state reimbursements and property taxes and Pell grants for students, while budgeted for operations, are considered nonoperating revenues according to accounting principles generally accepted in the United States of America (GAAP).

Fiscal year 2012 compared to 2011

	2012	2011	Percent Change
Total Operating Revenues	\$ 9,162,775	\$ 7,359,395	25 %
Total Operating Expenses	18,754,896	17,771,392	6
Operating Loss	(9,592,121)	(10,411,997)	(8)
Nonoperating Revenues, Net	9,347,630	11,600,062	(19)
Total Increase (Decrease) in Net Assets	(244,491)	1,188,065	(121)
Net Assets - Beginning of Year (Restated)	23,907,047	22,718,982	5
Net Assets - End of Year	<u>\$ 23,662,556</u>	<u>\$ 23,907,047</u>	(1)

Revenues

The most significant sources of operating revenue for the College are tuition and fees, financial aid, grants and contracts from federal, state, other local sources, and auxiliary services. Tuition and fees includes all amounts paid for educational purposes and totaled \$3.599 million, net of scholarship allowances. Financial aid, grants and contracts (not including Pell grants) totaled \$2.8 million. Auxiliary services consist of operations that furnish goods or services to students, faculty, staff, or the general public and charge a fee directly related to the cost of these goods or services. They consist of bookstore and vessel/vehicle operations. Auxiliary services revenue amounted to \$546 thousand. Other local sources were \$657 thousand.

The College's major sources of nonoperating revenue are from property taxes and timber revenues (\$4.535 million), funding for operations from the State of Oregon (\$1.428 million), and Pell grants for students (\$2.676 million). Other sources included a state grant for facilities (\$857 thousand). Investment income of \$309 thousand consists primarily of interest earned on the note receivable that is tied to the New Market Tax Credit debt.

Net Assets – Beginning of year for 2012 and 2011 were restated due to a prior period adjustment of \$1,002,184 for correcting errors related to capital assets. See additional information in Note 1 of the accompanying financial statements.

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Financial Analysis of the College as a Whole (Continued)

Expenses

Operating expenses totaling \$18.8 million include salaries and benefits, materials and supplies, utilities, scholarships, and depreciation. The greatest percentage of expenses is student financial aid (31 percent) which includes federal, state, and institutional aid to students to pay the costs of education. Instruction and Instructional Support represent 29 percent of total expenses. Student services expenses (10 percent) provide support to students for activities that occur outside the classroom and include enrollment services, counseling, and financial aid assistance. Institutional support (12 percent) represents the operational aspects of the College, including the administration, business office, and computer services. The following chart shows the percentage of expenses for the College:

	<u>2012</u> <u>Actual Expense</u>	<u>2011</u> <u>Actual Expense</u>	<u>Percent</u> <u>Change</u>
Educational and General:			
Instruction	\$ 4,301,286	\$ 4,419,541	(3)%
Instructional Support	1,199,379	1,377,148	(13)
Student Services	1,878,232	2,043,571	(8)
Institutional Support	2,279,472	2,406,243	(5)
Operation and Maintenance of Plant	1,219,338	1,091,800	12
Auxiliary Enterprises	563,457	631,413	(11)
Community Services	207,623	215,903	(4)
Student Financial Aid	5,867,868	4,409,651	33
Other Expense	1,490	1,773	(16)
Pension Amortization Expense	114,384	133,946	(15)
Amortization of Bond Costs	44,357	44,357	-
Depreciation Expense	1,078,010	996,046	8
Total Operating Expenses	<u>\$ 18,754,896</u>	<u>\$ 17,771,392</u>	6

Statement of Cash Flows

This statement provides an assessment of the financial health of the College. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the College during a 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.

Fiscal year 2012 compared to 2011

	<u>2012</u>	<u>2011</u>	<u>Percent</u> <u>Change</u>
Cash Provided (Used) by:			
Operating Activities	\$ (8,210,768)	\$ (10,478,827)	(22)%
Noncapital Financing Activities	10,339,263	12,368,399	(16)
Capital and Related Financing Activities	(2,595,605)	(4,974,836)	(48)
Investing Activities	17,106	320,773	(95)
Net Decrease in Cash	(450,004)	(2,764,491)	(84)
Cash and Cash Equivalents - Beginning of Year	2,900,280	5,664,771	(49)
Cash and Cash Equivalents - End of Year	<u>\$ 2,450,276</u>	<u>\$ 2,900,280</u>	(16)

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Financial Analysis of the College as a Whole (Continued)

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 \$2.3 million less in cash this year to sustain its operations than in the prior year, a decrease of 22 percent from 2011.

Noncapital Financing Activities

State FTE reimbursements and property taxes are the primary sources of noncapital financing. Accounting standards require that these sources of revenue be reported as nonoperating even though the College depends on these revenues to continue the current level of operations. Approximately \$2 million less in cash was provided by noncapital financing activities than in the prior year.

Capital Financing Activities

The College used \$2.6 million for capital construction and debt payments.

Investing Activities

The College earned \$17 thousand in interest on bank balances and funds invested in the long-term governmental investment pool.

Budgetary Highlights

The College adopts an annual budget at the fund level, which is under the modified accrual basis of accounting for governmental funds. The original budget was amended for the Grants/Financial Aid fund. The amendment was 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, 2012, amounted to \$36.5 million, net of accumulated depreciation. Investment in capital assets includes land, buildings, improvements, machinery and equipment, and library books. The College has completed a \$29 million capital construction project which has included the demolition of a building, construction of a new building, renovation of an existing building, and major infrastructure work to improve the campus utilities. Additional information on the College's capital assets can be found in the footnotes of the report.

The College has loans for a waterline for the MERTS property, energy improvements, PERS pension obligations, tax anticipation note, and facilities bonds obligations. The total outstanding on this debt at June 30, 2012 was \$28.9 million.

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Economic Factors and Next Year's Budget

Declining state funding continues to have a significant impact on the College's operating budget. The 2013-2015 biennium funding level for community colleges will be dependent upon state resources and the progression toward economic recovery. The state support funding represents only 10 percent of the College's annual revenue based on the funding formula allocation. The College's percentage of total formula allocation has reduced from 1.71 percent in 2008 to .55 percent in 2012. Alternative revenue sources and establishing community partnerships while reducing expenditures will continue to be necessary to ensure expenditures are within available resources. Significant expenditure reductions were made in FY12 including staffing reductions through attrition, early retirement, and layoff. Rebuilding the general fund ending fund balance to 15 percent in five years is a strategic priority.

Local property tax information indicates a drop in the real market property values for 2012 in Clatsop County. About half of the county taxing districts will see their assessed value grow by less than the statutory 3 percent for 2011, and county officials are predicting the assessed value increase will not grow by the statutory 3 percent in the next budgeting period.

Fall 2012 enrollment reports indicate a small decline in enrollment compared to fall 2011 which is consistent to Oregon community college enrollment trends. The completion of the \$29 million capital project in June 2012 has provided an improved learning environment for students and faculty to reach their educational goals.

State and local funding will continue to be a challenge for the College, and students can only be asked to carry a portion of the burden. Expenditures will have to be reduced as well. The uncertainty of the economy leads us to review all aspects of college programs and operations as we prepare the annual budget for FY14.

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, Finance and Operations
Clatsop Community College
1651 Lexington Ave.
Astoria, OR 97103

**CLATSOP COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Primary Government	Component Unit Clatsop Community College Foundation (Unaudited)
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,346,282	\$ 405,220
Restricted Cash and Investments	95,779	2,262,174
Receivables:		
Property Taxes	498,597	-
Governmental	456,839	-
Student Receivables, Net	906,356	-
Contributions	-	26,905
Inventories	140,350	-
Other	108,827	-
Total Current Assets	3,553,030	2,694,299
NONCURRENT ASSETS		
Restricted Cash and Investments	1,008,215	-
Unamortized Bond Issuance Costs	274,063	-
Notes Receivable	7,583,779	-
Accrued Interest Receivable	1,045,210	-
Net Pension Asset	6,199,004	-
Capital Assets - Net	36,500,194	-
Total Noncurrent Assets	52,610,465	-
Total Assets	\$ 56,163,495	\$ 2,694,299

See accompanying Notes to Financial Statements.

	Primary Government	Component Unit Clatsop Community College Foundation (Unaudited)
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 91,830	\$ 104,542
Payroll Liabilities	778,703	-
Unearned Revenue	892,627	-
Due to Student Groups	30,000	-
Accrued Interest Payable	1,119,561	-
Other Current Liabilities	14,108	-
Current Portion of Long-Term Debt	1,354,056	-
Total Current Liabilities	<u>4,280,885</u>	<u>104,542</u>
NONCURRENT LIABILITIES		
Unamortized Bond Premiums	122,591	-
Note Payable, Less Current Portion of Long-Term Debt	27,997,484	-
Other Postemployment Benefits	99,979	-
Total Noncurrent Liabilities	<u>28,220,054</u>	<u>-</u>
Total Liabilities	32,500,939	104,542
NET ASSETS		
Capital Assets	36,500,194	-
Less: Related Debt	<u>(14,314,685)</u>	<u>-</u>
Investment in Capital Assets, Net of Related Debt	22,185,509	-
Restricted - Expendable	2,797,399	1,903,042
Restricted - Unexpendable	-	583,429
Unrestricted	<u>(1,320,352)</u>	<u>103,286</u>
Total Net Assets	<u>23,662,556</u>	<u>2,589,757</u>
Total Liabilities and Net Assets	<u>\$ 56,163,495</u>	<u>\$ 2,694,299</u>

CLATSOP COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	Primary Government	Component Unit Clatsop Community College Foundation (Unaudited)
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowance of \$191,005	\$ 3,598,544	\$ -
Federal Student Financial Aid Grant	2,751,169	-
State Student Financial Aid Grant	237,368	-
Federal Grants and Contracts	1,318,686	-
State and Local Government Grants and Contracts	53,819	-
Other Local Sources	656,758	637,513
Auxiliary Enterprises	546,431	-
Total Operating Revenues	9,162,775	637,513
OPERATING EXPENSES		
Educational and General:		
Instruction	4,301,286	-
Instructional Support	1,199,379	-
Student Services	1,878,232	-
Institutional Support	2,279,472	-
Operation and Maintenance of Plant	1,219,338	-
Auxiliary Enterprises	563,457	-
Community Services	207,623	-
Student Financial Aid	5,867,868	-
Other Expense	1,490	249,512
Amortization of Bond Costs	44,357	-
Net Pension Amortization Expense	114,384	-
Depreciation Expense	1,078,010	-
Total Operating Expenses	18,754,896	249,512
OPERATING INCOME (LOSS)	(9,592,121)	388,001
NONOPERATING REVENUES (EXPENSES)		
State FTE Reimbursement	1,427,511	-
Property Taxes and Timber Revenues	4,535,480	-
Investment Income	308,909	-
Other Local Revenue	706,665	-
Pell Grants	2,676,968	-
State Grant for Facilities	857,287	-
Interest Expense	(1,165,190)	-
Total Nonoperating Revenues	9,347,630	-
INCREASE (DECREASE) IN NET ASSETS	(244,491)	388,001
Net Assets - Beginning of Year, Restated	23,907,047	2,201,756
NET ASSETS - END OF YEAR	\$ 23,662,556	\$ 2,589,757

See accompanying Notes to Financial Statements.

**CLATSOP COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012**

	<u>Primary Government</u>	<u>Component Unit Clatsop Community College Foundation (Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 3,754,049	\$ -
Paid to Students	(5,867,868)	-
Grants and Contracts	1,864,647	-
Aid Received for Students	2,988,537	-
Payments to Vendors	(2,966,097)	-
Payments to Employees	(8,623,768)	-
Other	656,758	450,779
Auxiliary Enterprises	(17,026)	-
Net Cash (Used) Provided by Operating Activities	(8,210,768)	450,779
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local Property Taxes and Timber Revenues	4,679,823	-
State Appropriations and Other Payments	1,427,511	-
Nonoperating Grants	3,534,255	-
Other Local Revenue	697,674	-
Net Cash Provided by Noncapital Financing Activities	10,339,263	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(343,642)	-
Loan Proceeds	625,000	-
Loan Principal Paid	(2,003,771)	-
Loan Interest Paid	(873,192)	-
Net Cash Used by Capital and Related Financing Activities	(2,595,605)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	17,106	(768,050)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(450,004)	(317,271)
Cash and Cash Equivalents - Beginning of Year	2,900,280	722,491
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,450,276	\$ 405,220

See accompanying Notes to Financial Statements.

	<u>Primary Government</u>	<u>Component Unit Clatsop Community College Foundation (Unaudited)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (9,592,121)	\$ 388,001
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used) Provided by Operating Activities:		
Depreciation	1,078,010	-
Pension Amortization	114,384	-
Bond Cost Amortization	44,357	-
Change in OPEB Liability	99,979	
Realized and Unralized (Gain) Loss on Investments	-	(28,294)
(Increase) Decrease in Assets:		
Receivables (Net)	649,145	-
Contributions Receivable	-	(13,470)
Inventories	(19,285)	-
Other Assets	(5,813)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(221,989)	104,542
Payroll Liabilities	(232,385)	-
Retainage	(129,636)	-
Unearned Revenues	(1,500)	-
Other Current Liabilities	6,086	-
Net Cash (Used) Provided by Operating Activities	<u>\$ (8,210,768)</u>	<u>\$ 450,779</u>
RECONCILIATION TO STATEMENT OF NET ASSETS		
Cash and Cash Equivalents	\$ 1,346,282	\$ 405,220
Restricted Cash and Equivalents	1,103,994	-
Cash and Cash Equivalents - End of Year	<u>\$ 2,450,276</u>	<u>\$ 405,220</u>

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Clatsop Community College (the 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.

As defined by GASB Statements No.14 and No. 39, the College includes one discretely presented 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. The Foundation did not have an audit for the fiscal year ended June 30, 2012, but it instead had a review performed. Financial information about the Foundation may be obtained from the Foundation at 1651 Lexington 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 the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The following is a summary of the more significant policies.

Basis of Accounting

The basic financial statements are prepared on the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All significant intra-agency transactions have been eliminated.

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 FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash and Investments

Current restricted cash for the College consists of funds for other grant projects (\$33,204) and clubs and organizations (\$62,575). Noncurrent restricted cash consists of the Adult Student Housing (ASH) funds for phase 3 of the strategic plan dedicated to the Health and Wellness Center (\$1,008,215). All funds of the Foundation are in depository accounts at June 30, 2012.

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 and Land Improvements	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. All salaries are paid over 12 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, 2012 were \$265,734.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 vacation hours they have accrued in the previous year. The amount of accrued vacation for classified employees at June 30, 2012 was \$50,571.

Effective July 1, 2005, the same requirement was implemented for service and supervisory and administrative employees. The amount of accrued vacation for service and supervisory employees at June 30, 2012 was \$170,582.

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 \$221,153 at June 30, 2012.

Tuition and Fees and Unearned Revenue

Tuition and fees include 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, 2012 for the College's 2012-2013 summer and fall terms are recorded as unearned revenue. Unearned revenue from tuition and fees was \$719,489 at June 30, 2012.

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 postemployment stipends under a voluntary early retirement program to faculty and classified employees who met certain criteria. Effective July 1, 2004, this postemployment stipend was no longer available to service and supervisory and administrative employees. Postemployment stipends are expensed as paid.

Premium costs of postemployment health insurance are subsidized. Effective July 1, 2004, the amount is capped at the amount of the medical premium the College paid 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, 2004. Postemployment subsidies of premiums for health insurance are expensed as paid.

Employees hired on or after July 1, 2004, are not eligible to apply for or receive any benefits under this provision.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits Obligation

The College implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2009. The net OPEB obligation is recognized as a noncurrent liability in the statement of net assets. See Note 6 for more details.

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 supplemental information section of the financial statements.

Net Assets

The College's net assets are classified as follows:

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

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

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

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

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Nonoperating revenue includes activities that have the characteristics of nonexchange 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.

Restatement

The District has restated its beginning of the year net assets to reflect the correction of two prior period errors. In 2009, a prior period adjustment reduced the MERTS campus value by \$1,208,920 in error. A second error was identified in the recording of equipment and accumulated depreciation (\$206,736). The net prior period adjustment is \$1,002,184.

Net Assets, as Previously Reported	\$ 22,904,863
Restatement of Prior Period Adjustment	1,208,920
Restatement of Equipment and Accumulated Depreciation	<u>(206,736)</u>
Net Prior Period Adjustment	<u>1,002,184</u>
Net Assets, as Restated	<u><u>\$ 23,907,047</u></u>

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

As mandated by Oregon statutes, a budget was prepared by the College administration and budget officer. The budget committee, with public input, considered and approved the budget for transmittal to the board of directors on May 24, 2011. 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 14, 2011. The budget was amended by the board on June 12, 2012.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

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

	<u>General</u>	<u>Restricted (Grants/ Financial Aid)</u>	<u>Auxiliary</u>	<u>Unexpended Plant</u>	<u>Plant/Debt Service</u>	<u>Non-Plant Debt</u>
Total Instruction	X	X	X			
Total Support Services	X	X	X			
Total Enterprise and Community Services	X	X	X			
Total Facilities Acquisition and Construction				X	X	
Total Other Uses	X	X				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, 2012, no expenditures exceeded appropriations in any funds.

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

NOTE 3 CASH AND INVESTMENTS

Total cash and investments at June 30, 2012, were comprised of the following:

	<u>Total Primary Government</u>	<u>Component Unit (Unaudited) Clatsop Community College Foundation</u>
Cash and Cash Equivalents:		
Cash on Hand	\$ 4,850	\$ -
Deposits	157,696	405,220
Investments	2,287,730	2,262,174
Total	<u>\$ 2,450,276</u>	<u>\$ 2,667,394</u>

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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, 2012:

	Fair Value	180 Days
Local Government Investment Pool	\$ 2,287,730	\$ 2,287,730

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 percent 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, 2012 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.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund (OSTF), of which the 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, 2012, the fair value of College deposits with LGIP approximates cost. The OSTF financial statements and the OSTF Portfolio Rules can be obtained at www.ost.state.or.us.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Foundation Investments

The Foundation's investments are recorded at fair value and consisted of the following at June 30, 2012:

Bonds	\$	491,530
Equities		918,863
Government Obligations		88,611
Other Assets		194,500
Real Estate Investment Trusts		118,860
Mutual Funds - Equity		181,980
Treasuries		267,830
Total Investments at Fair Value	<u>\$</u>	<u>2,262,174</u>

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 June 30, 2011	Levy	Discounts, Interest, and Adjustments	Collections	Balance June 30, 2012
2011-2012	\$ -	\$ 4,152,372	\$ (112,589)	\$ 3,829,260	\$ 210,523
2010-2011	216,507	-	(12,474)	91,946	112,087
2009-2010	95,261	-	(2,161)	29,469	63,631
2008-2009	43,808	-	(152)	21,641	22,015
2007-2008	12,492	-	(137)	9,132	3,223
2006-2007	2,126	-	(121)	398	1,607
2005-2006	1,411	-	(106)	155	1,150
2004-2005	5,844	-	(49)	56	5,739
Total	<u>377,449</u>	<u>\$ 4,152,372</u>	<u>\$ (127,789)</u>	<u>\$ 3,982,057</u>	<u>419,975</u>
Cash in Hands of County Agent at June 30	<u>80,458</u>				<u>78,622</u>
Taxes Receivable	<u>\$ 457,907</u>				<u>\$ 498,597</u>

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 RECEIVABLES (CONTINUED)

Governmental

The governmental receivables include \$157,058 in timber revenues and \$299,781 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 three kinds of receivables: amounts owed by students and agencies for tuition and fees (\$795,552), amounts owed by students in collections and amounts returned due to insufficient funds (\$92,817), and amounts owed by agencies (\$30,763) for other services provided by the College. Amounts owed by agencies are considered to be fully collectible. An estimated bad debt allowance is included (\$12,776) for student accounts. Net student accounts receivable as of June 30, 2012 was \$906,356.

Long-Term Note Receivable

On September 29, 2008, the College entered into a federally approved New Market Tax Credits (NMTC) plan where Oregon Community College Association (OCCA) facilitated the transaction. OCCA entered into a note receivable from ShoreBank Cascadia Development Fund III, LLC and a note payable to the College in equal amounts of \$7,583,779. The note receivable matures September 10, 2015. The transaction is not expected to financially impact OCCA or the College.

NOTE 5 RISK MANAGEMENT

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

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS

Public Employee Retirement System - (PERS)

College employees participate in one or more Oregon PERS plans (OPERS) that provide pension, death, disability, and postemployment 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 PERB 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.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Public Employee Retirement System - (PERS) (Continued)

The College requires members of PERS to contribute 6 percent 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, 2012 is 10.24 percent of salary covered under the plan, adjusted for side account rate relief (7.79 percent).

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 rate for the OPSRP at June 30, 2012 defined benefit pension plan is 10.24 percent, adjusted for the side account rate relief (7.79 percent).
- 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 percent 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, 2012, were as follows:

Annual Required Contribution (ARC)	\$	404,298
Interest Earned on Net Pension Asset		(310,614)
Adjust to the ARC		377,536
Annual Pension Costs		471,220
Contributions Made		(356,836)
Decrease in Net Pension Asset		114,384
Net Pension Asset - Beginning of Year		6,313,386
Net Pension Asset - End of Year	\$	6,199,002

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Public Employee Retirement System - (PERS) (Continued)

All OPERS participating employers are required by law to submit the contributions as adopted by the PERB. For the fiscal year ended June 30, 2012, the College made required contributions to PERS (\$684,067) and funded pension obligations (\$442,723).

Fiscal Year Ended	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Asset
6/30/2007	\$ 483,465	\$ 302,273	63%	\$ 6,835,790
6/30/2008	444,784	296,460	67%	6,687,466
6/30/2009	438,979	315,372	72%	6,563,859
6/30/2010	433,584	317,057	73%	6,447,332
6/30/2011	453,991	320,045	70%	6,313,386
6/30/2012	471,220	356,836	76%	6,199,002

Tax Sheltered Annuities

Voluntary tax sheltered 403(b) annuity plans are available to College employees. Regular full-time employees are eligible to participate. The maximum contribution for calendar year 2011 is \$16,500 and for calendar year 2012 is \$17,000, with higher levels for employees over age 50.

Early Retirement Plan/PostEmployment 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. The plan was not automatic, and each request required approval by the board of directors.

To be eligible an employee must have been eligible to receive PERS retirement benefits and have been employed as a regular employee a minimum of 10 consecutive years immediately preceding application for early retirement benefits.

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

The cost of the early retirement stipend (stipend and FICA) for 2011-2012 was \$62,928 for 13 retirees.

Premium costs of postemployment health insurance are also subsidized; however, effective July 1, 2004, the amount is capped at the medical premium amount the College is paying for faculty and classified employees at the time of retirement. This same provision is effective for service/supervisory and administrative employees as of July 1, 2004. Coverage may also include dependents and spouses. Postemployment subsidies of premiums for health insurance are expensed as paid. The cost of the postemployment health insurance for 2011-2012 was \$129,947 for 29 retirees.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Early Retirement Plan/PostEmployment Benefits (Continued)

Faculty or classified employees hired on or after July 1, 2004 are not eligible to apply for or receive any early retirement benefits. Service/supervisory and administrative employees hired on or after July 1, 2004 are not eligible to apply for or receive any early retirement benefits.

In accordance with the requirements of GASB Statement No. 45, the College had an independent actuarial valuation completed for this program as of June 30, 2012. The report included the plans' funded status, the ARC as defined by GASB No. 27 and GASB No. 45 for 2011-2012, an estimation of future cash flows and their present value, and an actuarial accrued liability. The College used the report of actuarial valuation as of June 30, 2012 to prepare information for the plan year ended June 30, 2012.

The College stipends and health premiums are expensed as paid. The College has not funded the liability beyond the annual amount.

The ARC represents a level of fund that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following table shows the components of the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's OPEB obligation to the plan.

	Health	Stipend	Total
Annual Required Contribution (ARC)	\$ 134,472	\$ 5,254	\$ 139,726
Interest on Net OPEB Obligation (BOY)	2,522	285	2,807
Adjustment to ARC for Net OPEB Obligation	<u>(9,566)</u>	<u>(3,261)</u>	<u>(12,827)</u>
Annual OPEB Cost	127,428	2,278	129,706
Actual Contributions	<u>(115,531)</u>	<u>(7,752)</u>	<u>(123,283)</u>
Increase (Decrease) in Net OPEB Obligation	11,897	(5,474)	6,423
Net OPEB Obligation - July 1, 2011	84,055	9,501	93,556
Net OPEB Obligation - June 30, 2012	<u>\$ 95,952</u>	<u>\$ 4,027</u>	<u>\$ 99,979</u>

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Early Retirement Plan/PostEmployment Benefits (Continued)

Trend information for the annual OPEB and pension cost, the percentage of OPEB and pension cost contributed to the Plan, and the net OPEB and pension obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2010	\$ 184,256	\$ 155,065	84.16%	\$ 29,191
6/30/2011	184,256	129,392	70.22%	84,055
6/30/2012	127,428	115,531	90.66%	95,952

Fiscal Year Ended	Annual Pension Cost	Annual Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
6/30/2010	\$ 29,934	\$ 29,951	100.06%	\$ (617)
6/30/2011	29,934	19,216	64.19%	9,501
6/30/2012	2,278	7,752	340.28%	4,027

The unfunded actuarial accrued liability (UAAL) for the plans as of June 30, 2012 is provided below:

	Health	Stipend
Actuarial Value of Plan Assets	\$ -	\$ -
Actuarial Accrued Liability (AAL)	\$ 935,435	\$ 15,308
Unfunded AAL	\$ 935,435	\$ 15,308
Funded Ratio	0.00%	0.00%
Covered Payroll	\$ 2,225,470	\$ -
UAAL as a % of Covered Payroll	42.03%	NA

The above noted actuarial accrued liabilities were based on the June 30, 2012 actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plans and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Early Retirement Plan/PostEmployment Benefits (Continued)

The Entry Age Normal Cost Method is used to determine the actuarial accrued liability and the normal cost. Under this method, the actuarial present value of the projected benefits of each active employee included in the valuation is allocated on a level dollar basis over the service of the active employee between assumed entry age (date of hire) and assumed exit age(s). The portion of this actuarial present value allocated to the valuation year is called the normal cost for that active employee. The sum of these individual normal costs is the plan's normal cost for the valuation year. The present value of benefits for current retirees plus the accumulated value of all prior normal costs is the actuarial accrued liability. The excess of the actuarial accrued liability over plan assets is the unfunded actuarial accrued liability (UAAL). The total UAAL for the OPEB plan is amortized over a 10-year open amortization period and the UAAL for the stipend plan is amortized over a three-year open amortization period. Under this method the actuarial gains (losses), as they occur, reduce (increase) the UAAL while leaving the normal cost unchanged.

The following assumptions were made:

Interest discount – A 3.0 percent discount rate is used based on the assumption that the College's OPEB and stipend plans will remain unfunded.

Premiums – Health care premiums for future retirees are based on blended rates of current plans, assuming that future election patterns will follow those made by current retirees.

Trends – Medical premiums increase by 9 percent in 2013/14 then 0.5 percent less each subsequent year until they are increasing at 5 percent per year.

Insurance cap – The College's insurance cap was negotiated in the faculty contract through June 30, 2013. Increases to the College's contribution cap in future years are subject to negotiation. An annual increase of 5 percent is assumed for the cap beyond the 2012-2013 year.

Historical premiums – Past premiums for single coverage are assumed to be 60 percent of the College's cap in effect at that time. In the event that a current retiree's coverage changes from two-party to single coverage, the College's contribution for that retiree is projected to decrease to this assumed single premium.

FICA tax – Stipend payments and lump sums paid under the closed plan have been increased by 7.65 percent to reflect the FICA tax paid by the College.

Demographic assumptions – Rates of mortality, retirement, and withdrawal are generally the same rates that were used for school district employees in the December 31, 2010 actuarial valuation of the Oregon PERS. Active employees are assumed to delay retirement until they are eligible for the early retirement plan. Once an active employee has satisfied these requirements, it is assumed that they do not terminate employment other than for retirement or death.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Early Retirement Plan/PostEmployment Benefits (Continued)

Covered spouse – 35 percent of future retirees will cover a spouse or domestic partner. Male spouses are assumed to be two years older than female spouses when date of birth is not provided.

Entrance and persistence – 100 percent of future retirees eligible for the college-paid OPEB plan will elect to continue their health care coverage. Of the retirees receiving subsidized health care benefits, one percent will drop coverage each year due to all causes, including mortality.

At the end of the 2011 calendar year, three employees ended employment with the College under a Retirement Incentive Program. These employees were given the option between two annual lump sums or a monthly stipend for 24 months. All benefits under this program are payable to a beneficiary should the former employee die before their payments expire. Because of the limited duration of this program and the fact that program benefits were in addition to (and did not replace) other retirement benefits, this program meets the definition of GASB No. 47. Liabilities due to this program are recognized in the fiscal year during which they were incurred. The present value of the liabilities attributable to this program is \$79,172 and has been recorded in current liabilities. Liabilities were valued using the assumptions described above.

NOTE 7 RESTRICTED NET ASSETS

Primary Government

The College received funds from a settlement of a lawsuit related to student housing. These funds have been approved for use on the Health and Wellness Center which is phase 3 of the Facilities Strategic Plan. Earnings are to be used to provide or supplement student housing for the College students. As of June 30, 2012, the balance of \$1,008,215 is included in restricted net assets - expendable. In addition, the balance includes \$1,789,184 in funds restricted for the Jerome Campus Redevelopment Project.

Clatsop Community College Foundation

Temporarily restricted net assets of \$1,903,042 and permanently restricted net assets of \$583,429 in the Foundation are primarily for scholarships.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2011 and 2012:

	June 30, 2011 (Restated)	Additions	Deletions	June 30, 2012
Capital Assets not Being Depreciated:				
Land and Improvements	\$ 85,535	\$ -	\$ -	\$ 85,535
Construction in Progress	179,972	-	179,972	-
Total Capital Assets not being Depreciated	265,507	-	179,972	85,535
Capital Assets Being Depreciated:				
Buildings	41,556,433	357,014	47,309	41,866,138
Land Improvements	-	166,599	-	166,599
Equipment	2,418,870	-	34,102	2,384,768
Library Books	208,201	-	-	208,201
Total Capital Assets being Depreciated	44,183,504	523,613	81,411	44,625,706
Less Accumulated Depreciation for:				
Buildings	4,679,370	1,027,273	47,309	5,659,334
Land Improvements	-	16,660	-	16,660
Equipment	2,349,948	25,187	34,102	2,341,033
Library Books	185,130	8,890	-	194,020
Total Accumulated Depreciation	7,214,448	1,078,010	81,411	8,211,047
Total Capital Assets Being Depreciated	36,969,056	(554,397)	-	36,414,659
Capital Assets, Net	<u>\$ 37,234,563</u>	<u>\$ (554,397)</u>	<u>\$ 179,972</u>	<u>\$ 36,500,194</u>

Clatsop Community College Foundation

The Foundation has no property, plant, and equipment as of June 30, 2012.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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; secured by the improvements	\$ 164,068
Less: Principal Payments 2011-2012	(18,475)
Balance, June 30, 2012	<u>\$ 145,593</u>

Note payable to the ShoreBank Enterprise Pacific Coast III, LLC, for \$10,451,231 for New Market Tax Credits financing for the Jerome Campus Redevelopment Project, dated September 29, 2008, with one payment of \$10,451,231 due on September 10, 2015 (interest rate of 2.61865%); secured by certain pledged accounts	\$ 10,451,231
Less: Principal Payments 2011-2012	-
Balance, June 30, 2012	<u>\$ 10,451,231</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	\$ 6,205,000
Less: Principal Payments 2011-2012	(305,000)
Balance, June 30, 2012	<u>\$ 5,900,000</u>

General Obligation Bonds, Series 2009, payable to Wells Fargo, Trustee, for \$5,000,000 at 3.0% to 4.2%, dated February 3, 2009, with scheduled interest and principal payments due semi-annually through June 30, 2029	\$ 4,935,000
Less: Principal Payments 2011-2012	(110,000)
Balance, June 30, 2012	<u>\$ 4,825,000</u>

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Tax Anticipation Note – Cash Flow

Bond payable - Revenue and Tax Anticipation Note. Bonds payable to Wells Fargo, Trustee, for \$625,000 at 0.4% short-term tax and revenue anticipation promissory note, Series 2012A, maturity date December 30, 2012

Balance, June 30, 2012 \$ 625,000

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 intra-governmental 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

Less: Principal Payments 2011-2012 \$ 7,075,000
(105,000)
Balance, June 30, 2012 \$ 6,970,000

The schedule of future requirements for payment of principal and interest on these obligations are as follows for the year ended June 30:

	Total		City of Astoria				Facilities		Facilities		Facilities		Tax Anticipation Note	
	Principal	Interest	Waterline		PERS Bonding		Wells Fargo		GO Bonds		NMTC - ShoreBank		Wells Fargo	
			Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,214,444	\$ 791,176	\$ 19,444	\$ 7,002	\$ 130,000	\$ 332,848	\$ 315,000	\$ 263,444	\$ 125,000	\$ 187,882	\$ -	\$ -	\$ 625,000	\$ -
2014	665,430	767,016	20,430	6,016	165,000	326,812	330,000	250,056	150,000	184,132	-	-	-	-
2015	731,467	739,793	21,467	4,979	195,000	319,151	345,000	236,031	170,000	179,632	-	-	-	-
2016	11,243,787	709,887	22,556	3,890	230,000	310,097	355,000	221,368	185,000	174,532	10,451,231	-	-	-
2017	863,700	675,577	23,700	2,746	270,000	299,418	370,000	206,281	200,000	167,132	-	-	-	-
2018-2022	5,447,996	2,770,859	37,996	1,848	2,040,000	1,267,800	2,110,000	781,687	1,260,000	719,524	-	-	-	-
2023-2027	7,450,000	1,308,754	-	-	3,560,000	642,039	2,075,000	238,725	1,815,000	427,990	-	-	-	-
2028-2029	1,300,000	76,948	-	-	380,000	18,358	-	-	920,000	58,590	-	-	-	-
	<u>\$ 28,916,824</u>	<u>\$ 7,840,010</u>	<u>\$ 145,593</u>	<u>\$ 26,481</u>	<u>\$ 6,970,000</u>	<u>\$ 3,516,523</u>	<u>\$ 5,900,000</u>	<u>\$ 2,197,592</u>	<u>\$ 4,825,000</u>	<u>\$ 2,099,414</u>	<u>\$ 10,451,231</u>	<u>\$ -</u>	<u>\$ 625,000</u>	<u>\$ -</u>

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Other Long-Term Obligation – Facilities

The College entered into a federally approved New Market Tax Credits (NMTC) plan which resulted in the obligation to pay a management fee to ensure compliance with federal regulations.

Obligation payable to ShoreBank Enterprise Pacific Coast III, LLC,
for management fees related to NMTC financing compliance,
dated October 22, 2008, with no interest due with scheduled
payments, due quarterly through July 2015

	\$ 556,022
Less: Payments 2011-2012	(130,296)
Balance, June 30, 2012	\$ 425,726

Changes in Long-Term Liabilities

A summary of long-term liability activity follows:

	July 1, 2011 Beginning Balance	Additions	Reductions	June 30, 2012 Ending Balance	Due Within One Year
Notes Payable	\$ 10,615,299	\$ -	\$ 18,475	\$ 10,596,824	\$ 19,444
Bonds Payable	18,215,000	-	520,000	17,695,000	570,000
Bond Premium	140,571	-	8,990	131,581	8,990
Tax Anticipation Note	1,335,000	625,000	1,335,000	625,000	625,000
Other Long-Term Obligations	556,022	-	130,296	425,726	130,622
Total	\$ 30,861,892	\$ 625,000	\$ 2,012,761	\$ 29,474,131	\$ 1,354,056

NOTE 10 OPERATING LEASES

The following is an analysis of operating leases for the year ended June 30:

	Key Government Virtual Server		Wells Fargo Copier	ABECO Copier Maint.	DSL		Olstedt SCC	Toyota Corolla Lease	Sunset Pool STCW Class
	Principal	Interest	Copier	Copier Maint.	MERTS	Dock	SCC	Corolla Lease	STCW Class
2013	\$ 19,034	\$ 2,313	\$ 12,547	\$ 18,780	\$ 12,706	\$ 275	\$ 18,376	\$ 2,616	\$ 734
2014	19,776	1,571	12,547	18,780	13,087	275	18,935	1,090	749
2015	20,546	800	3,137	4,695	13,480	275	19,503	-	764
2016	-	-	-	-	13,884	275	20,088	-	779
2017	-	-	-	-	14,301	275	20,691	-	795
2018-2022	-	-	-	-	78,203	1,375	21,312	-	4,220
2023-2027	-	-	-	-	90,658	275	-	-	4,659
	\$ 59,356	\$ 4,684	\$ 28,231	\$ 42,255	\$ 236,319	\$ 3,025	\$ 118,905	\$ 3,706	\$ 12,700

Rent expense for the year ended June 30, 2012 was \$85,355.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 11 BOARD CONFLICT OF INTEREST

The College's board of directors is made up of seven elected members. The College did not purchase any supplies from any of the board members during fiscal year 2011-2012.

NOTE 12 COMMITMENTS AND CONTINGENCIES

At June 30, 2012, there was a matter of material pending or threatened litigation or likely claim related to personnel. A ruling was made subsequent to year-end in favor of the College.

REQUIRED SUPPLEMENTARY INFORMATION

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
YEAR ENDED JUNE 30, 2012**

OPEB

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	EAN Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a) / (c)
June 30, 2009	\$ -	\$ 1,274,469	\$ 1,274,469	0.00%	\$ 3,274,850	38.92%
June 30, 2012	-	935,435	935,435	0.00%	2,225,470	42.03%

Pension

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	EAN Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a) / (c)
June 30, 2009	\$ -	\$ 85,850	\$ 85,850	0.00%	-	NA
June 30, 2012	-	15,308	15,308	0.00%	-	NA

SUPPLEMENTARY INFORMATION

**CLATSOP COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 2012**

	Current Funds		Plant Funds				Long-Term Debt	Clubs and Organizations Fund	Total All Primary Funds (Memorandum Only)
	Unrestricted	Restricted	Unexpended	JCRP	Retirement of Indebtedness	Investment in Plant			
ASSETS									
Cash and Investments	\$ (107,693)	\$ 33,204	\$ 975,137	\$ 1,570,139	\$ -	\$ -	\$ (83,086)	\$ 62,575	\$ 2,450,276
Receivables:									
Property Taxes	498,597	-	-	-	-	-	-	-	498,597
Governmental	456,839	-	-	-	-	-	-	-	456,839
Student Receivables (Less Allowance for Doubtful Accounts)	906,356	-	-	-	-	-	-	-	906,356
Inventories	140,350	-	-	-	-	-	-	-	140,350
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-
Note Receivable from Auxiliary Funds	205,000	-	-	-	-	-	-	-	205,000
Note Receivable from OCCA	-	-	-	8,628,989	-	-	-	-	8,628,989
Property, Buildings, and Equipment:									
Land	-	-	-	-	-	85,535	-	-	85,535
Land Improvements	-	-	-	-	-	166,599	-	-	166,599
Accumulated Depreciation	-	-	-	-	-	(16,660)	-	-	(16,660)
Buildings	-	-	-	-	-	41,866,138	-	-	41,866,138
Accumulated Depreciation	-	-	-	-	-	(5,659,334)	-	-	(5,659,334)
Equipment	-	-	-	-	-	2,384,768	-	-	2,384,768
Accumulated Depreciation	-	-	-	-	-	(2,341,034)	-	-	(2,341,034)
Library Books	-	-	-	-	-	208,202	-	-	208,202
Accumulated Depreciation	-	-	-	-	-	(194,020)	-	-	(194,020)
Other Assets	37,946	70,881	-	274,063	-	-	6,199,004	-	6,581,894
Total Assets	\$ 2,137,395	\$ 104,085	\$ 975,137	\$ 10,473,191	\$ -	\$ 36,500,194	\$ 6,115,918	\$ 62,575	\$ 56,368,495
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts Payable	\$ 91,830	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,830
Accrued Liabilities	778,703	-	-	-	-	-	-	-	778,703
Miscellaneous Deposits	6,207	-	-	-	-	-	-	-	6,207
Due to Student Groups and Agencies	30,000	-	-	-	-	-	-	-	30,000
Short-Term Note Payable	625,000	-	-	-	-	-	-	-	625,000
Deferred Revenues	725,967	104,085	-	-	-	-	-	62,575	892,627
Accrued Interest Payable	-	-	-	55,018	-	-	-	-	55,018
Other Miscellaneous Liabilities	-	-	-	131,581	-	-	-	-	131,581
Other Liabilities	7,901	-	-	425,726	-	-	-	-	433,627
Long-Term Debt:									
Note Payable to General Fund	205,000	-	-	-	-	-	-	-	205,000
Note Payable to ShoreBank (NMTC)	-	-	-	11,515,774	-	-	-	-	11,515,774
Other Postemployment Benefits	99,979	-	-	-	-	-	-	-	99,979
Bond Payable	-	-	-	10,725,000	-	-	6,970,000	-	17,695,000
Waterline Improvement Note to City of Astoria	-	-	-	-	-	145,593	-	-	145,593
Total Liabilities	2,570,587	104,085	-	22,853,099	-	145,593	6,970,000	62,575	32,705,939
Fund Balances									
Unrestricted	(433,192)	-	(33,078)	-	-	-	(854,082)	-	(1,320,352)
Restricted - Expendable	-	-	1,008,215	1,789,184	-	-	-	-	2,797,399
Net Investment in Plant	-	-	-	(14,169,092)	-	36,354,601	-	-	22,185,509
Total Fund Balances	(433,192)	-	975,137	(12,379,908)	-	36,354,601	(854,082)	-	23,662,556
Total Liabilities and Fund Balances	\$ 2,137,395	\$ 104,085	\$ 975,137	\$ 10,473,191	\$ -	\$ 36,500,194	\$ 6,115,918	\$ 62,575	\$ 56,368,495

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2012**

	Current Funds			Plant Funds				Debt Service Fund	Clubs and Organizations Fund	Total All Funds (Memorandum Only)
	Unrestricted	Restricted	Total	Unexpended	JCRP	Retirement of Indebtedness	Investment in Plant			
REVENUES										
Local Sources	\$ 3,633,798	\$ 305,803	\$ 3,939,601	\$ 600,000	\$ -	\$ 301,682	\$ -	\$ 350,955	\$ -	\$ 5,192,238
State Appropriations	1,427,511	291,187	1,718,698	-	857,287	-	-	-	-	2,575,985
Government Grants and										
Contracts	6,443	6,746,823	6,753,266	-	-	-	-	-	-	6,753,266
Tuition and Fees	3,783,801	2,263	3,786,064	-	-	-	-	-	3,485	3,789,549
Investment Income	8,080	-	8,080	5,391	294,281	-	-	1,157	-	308,909
Auxiliary Revenue	546,431	-	546,431	-	-	-	-	-	-	546,431
Other Additions	656,095	55,630	711,725	-	8,990	-	362,117	-	50,865	1,133,697
Total Revenues	10,062,159	7,401,706	17,463,865	605,391	1,160,558	301,682	362,117	352,112	54,350	20,300,075
EXPENDITURES AND										
MANDATORY TRANSFERS										
Educational and General:										
Instruction	4,150,603	150,683	4,301,286	-	-	-	-	-	-	4,301,286
Instructional Support	910,805	288,574	1,199,379	-	-	-	-	-	-	1,199,379
Student Services	948,963	904,978	1,853,941	-	-	-	-	-	24,291	1,878,232
Institutional Support (Admin.)	2,223,842	55,630	2,279,472	-	-	-	-	-	-	2,279,472
Operation and Maintenance										
of Plant	989,499	-	989,499	1,614	209,904	18,321	-	-	-	1,219,338
Auxiliary Enterprises	563,457	-	563,457	-	-	-	-	-	-	563,457
Community Services	1,647	175,917	177,564	-	-	-	-	-	30,059	207,623
Depreciation Expense	-	-	-	-	-	-	1,078,010	-	-	1,078,010
Expended for Equipment										
and Facilities	-	-	-	-	-	433,475	-	-	-	433,475
Amortization of Bond Costs	-	-	-	-	44,357	-	-	-	-	44,357
Interest Expense	-	-	-	-	348,881	478,586	-	337,723	-	1,165,190
Pension Amortization	-	-	-	-	-	-	-	114,384	-	114,384
Other	-	-	-	120	-	1,250	-	120	-	1,490
Financial Aid	191,005	5,867,868	6,058,873	-	-	-	-	-	-	6,058,873
Total Educational and										
General	9,979,821	7,443,650	17,423,471	1,734	603,142	931,632	1,078,010	452,227	54,350	20,544,566
NONMANDATORY TRANSFERS, NET										
	59,706	(41,944)	17,762	612,188	-	(629,950)	-	-	-	-
NET INCREASE (DECREASE) IN FUND BALANCES										
	22,632	-	22,632	(8,531)	557,416	-	(715,893)	(100,115)	-	(244,491)
FUND BALANCE - JUNE 30, 2011										
Unrestricted	(455,825)	-	(455,825)	(34,076)	-	-	-	(753,967)	-	(1,243,868)
Restricted - Expendable	-	-	-	1,017,744	1,913,633	-	-	-	-	2,931,377
Net Investment in Plant	-	-	-	-	(14,850,956)	-	36,068,310	-	-	21,217,354
Prior Period Adjustment										
Correction	-	-	-	-	-	-	1,002,184	-	-	1,002,184
FUND BALANCE - JUNE 30, 2012										
	\$ (433,193)	\$ -	\$ (433,193)	\$ 975,137	\$ (12,379,907)	\$ -	\$ 36,354,601	\$ (854,082)	\$ -	\$ 23,662,556

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET
YEAR ENDED JUNE 30, 2012**

General Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
REVENUES					
State Sources	\$ 1,427,511	\$ -	\$ 1,427,511	\$ 1,460,034	\$ (32,523)
Federal Sources	6,443	-	6,443	-	6,443
Local Sources:					
Current Year Property Taxes	3,486,054	-	3,486,054	3,784,027	(297,973)
Prior Years Property Taxes	147,744	-	147,744	125,000	22,744
Tuition and Fees	3,783,801	-	3,783,801	4,030,039	(246,238)
All Other	664,175	-	664,175	646,075	18,100
Total Revenues	<u>9,515,728</u>	<u>-</u>	<u>9,515,728</u>	<u>10,045,175</u>	<u>(529,447)</u>
EXPENDITURES					
Instruction	4,150,603	24,114	4,174,717	4,415,785	(241,068)
Support Services	5,073,109	(73,827)	4,999,282	5,359,564	(360,282)
Public Service	1,647	7	1,654	4,670	(3,016)
All Other	191,005	-	191,005	200,000	(8,995)
Total Expenditures	<u>9,416,364</u>	<u>(49,706)</u>	<u>9,366,658</u>	<u>9,980,019</u>	<u>(613,361)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	99,364	49,706	149,070	65,156	83,914
OTHER FINANCING SOURCES (USES)					
Transfers In	14,800	-	14,800	17,096	(2,296)
Transfers Out	(74,506)	-	(74,506)	(82,252)	7,746
Total Other Financing Sources (Uses)	<u>(59,706)</u>	<u>-</u>	<u>(59,706)</u>	<u>(65,156)</u>	<u>5,450</u>
NET CHANGES IN FUND BALANCE					
	39,658	49,706	89,364	-	89,364
Fund Balance - Beginning of Year	<u>199,453</u>	<u>246,459</u>	<u>445,912</u>	<u>-</u>	<u>445,912</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 239,111</u></u>	<u><u>\$ 296,165</u></u>	<u><u>\$ 535,276</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 535,276</u></u>

GAAP adjustments are for the annual accruals for compensated absences and GASB adjustments 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.

CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET (CONTINUED)
YEAR ENDED JUNE 30, 2012

Auxiliary Enterprises Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
REVENUES					
Bookstore Sales	\$ 410,743	\$ 1,673	\$ 412,416	\$ 777,587	\$ (365,171)
All Other	135,689	35,161	170,850	180,357	(9,507)
Total Revenues	<u>546,432</u>	<u>36,834</u>	<u>583,266</u>	<u>957,944</u>	<u>(374,678)</u>
EXPENDITURES					
Total Instruction	91,737	-	91,737	143,539	(51,802)
Total Support Services	429,544	-	429,544	789,030	(359,486)
Total Public Service	42,175	-	42,175	25,375	16,800
Total Expenditures	<u>563,456</u>	<u>-</u>	<u>563,456</u>	<u>957,944</u>	<u>(394,488)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	(17,024)	36,834	19,810	-	19,810
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	-	-	-
NET CHANGES IN FUND BALANCE					
	(17,024)	36,834	19,810	-	19,810
Fund Balance - Beginning of Year	<u>(438,575)</u>	<u>99,512</u>	<u>(339,063)</u>	<u>-</u>	<u>(339,063)</u>
FUND BALANCE - END OF YEAR	<u>\$ (455,599)</u>	<u>\$ 136,346</u>	<u>\$ (319,253)</u>	<u>\$ -</u>	<u>\$ (319,253)</u>

Auxiliary Enterprises Fund

The ***Auxiliary Enterprises Fund*** accounts for transactions of substantially all 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.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET (CONTINUED)
YEAR ENDED JUNE 30, 2012**

Restricted Fund	Actual Amount	Budgeted Amount	Over (Under) Budget
REVENUES			
Federal Sources	\$ 6,746,823	\$ 7,160,959	\$ (414,136)
State Sources	291,187	289,213	1,974
Local Sources	305,803	320,816	(15,013)
Tuition and Fees	2,263	13,000	(10,737)
Other	55,630	308,517	(252,887)
Total Revenues	<u>7,401,706</u>	<u>8,092,505</u>	<u>(690,799)</u>
EXPENDITURES			
Total Instruction	150,683	190,000	(39,317)
Total Support Services	1,249,182	1,465,282	(216,100)
Total Public Service	175,917	186,913	(10,996)
All Other	5,867,868	6,300,000	(432,132)
Total Expenditures	<u>7,443,650</u>	<u>8,142,195</u>	<u>(698,545)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(41,944)	(49,690)	7,746
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>41,944</u>	<u>49,690</u>	<u>(7,746)</u>
NET CHANGES IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET (CONTINUED)
YEAR ENDED JUNE 30, 2012**

Unexpended Plant Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
REVENUES					
Investment Income	\$ 299,672	\$ (291,802)	\$ 7,870	\$ 5,000	\$ 2,870
Timber Sales	600,000	-	600,000	600,000	-
Other	866,277	(8,990)	857,287	1,718,108	(860,821)
Total Revenues	<u>1,765,949</u>	<u>(300,792)</u>	<u>1,465,157</u>	<u>2,323,108</u>	<u>(857,951)</u>
EXPENDITURES					
All Other Expenditures	<u>604,876</u>	<u>(338,220)</u>	<u>266,656</u>	<u>1,708,624</u>	<u>(1,441,968)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	1,161,073	(37,428)	1,198,501	614,484	584,017
OTHER FINANCING SOURCES (USES)					
Transfers Out to Debt Service	(597,388)	-	(597,388)	(597,388)	-
Transfers Out to General Fund	<u>(14,800)</u>	<u>-</u>	<u>(14,800)</u>	<u>(17,096)</u>	<u>(2,296)</u>
Total Other Financing Sources (Uses)	<u>(612,188)</u>	<u>-</u>	<u>(612,188)</u>	<u>(614,484)</u>	<u>(2,296)</u>
NET CHANGES IN FUND BALANCE					
	548,885	(37,428)	586,313	-	581,721
Fund Balance - Beginning of Year	<u>(11,963,656)</u>	<u>14,882,152</u>	<u>(3,594,001)</u>	<u>9,782,775</u>	<u>13,376,776</u>
FUND BALANCE - END OF YEAR					
	<u>\$ (11,414,771)</u>	<u>\$ 14,844,724</u>	<u>\$ (3,007,688)</u>	<u>\$ 9,782,775</u>	<u>\$ 13,958,497</u>

GAAP adjustments represent accrual of expenses not required to be 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.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET (CONTINUED)
YEAR ENDED JUNE 30, 2012**

Plant - Retirement of Indebtedness	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
REVENUES	\$ 301,682	\$ -	\$ 301,682	\$ 301,682	\$ -
EXPENDITURES	931,632	-	931,632	931,632	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(629,950)	-	(629,950)	(629,950)	-
OTHER FINANCING SOURCES (USES)					
Transfers in from Unexpended Plant	597,388	-	597,388	597,388	-
Transfers in from General Fund	32,562	-	32,562	32,562	-
Total Other Financing Sources (Uses)	629,950	-	629,950	629,950	-
NET CHANGES IN FUND BALANCE	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-
FUND BALANCE - END OF YEAR	<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.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET (CONTINUED)
YEAR ENDED JUNE 30, 2012**

Debt Service Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
REVENUES					
Other Local Revenue	\$ 350,955	\$ -	\$ 350,955	\$ 441,943	\$ (90,988)
Investment Income	1,157	-	1,157	900	257
Total Revenues	<u>352,112</u>	<u>-</u>	<u>352,112</u>	<u>442,843</u>	<u>(90,731)</u>
EXPENDITURES	<u>452,227</u>	<u>9,386</u>	<u>461,613</u>	<u>442,843</u>	<u>18,770</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(100,115)</u>	<u>(9,386)</u>	<u>(109,501)</u>	<u>-</u>	<u>(109,501)</u>
NET CHANGES IN FUND BALANCE	(100,115)	(9,386)	(109,501)	-	(109,501)
Fund Balance - Beginning of Year	<u>(753,967)</u>	<u>401,645</u>	<u>(352,322)</u>	<u>-</u>	<u>(352,322)</u>
FUND BALANCE - END OF YEAR	<u><u>\$ (854,082)</u></u>	<u><u>\$ 392,259</u></u>	<u><u>\$ (461,823)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (461,823)</u></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.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET (CONTINUED)
YEAR ENDED JUNE 30, 2012**

Clubs and Organizations Fund	Actual Amount	Budgeted Amount	Over (Under) Budget
REVENUES			
Fees	\$ 54,350	\$ 92,201	\$ (37,851)
EXPENDITURES			
Total Support Services	-	-	-
Total Other	30,059	30,698	(639)
Total Public Service	24,291	61,503	(37,212)
Total Expenditures	<u>54,350</u>	<u>92,201</u>	<u>(37,851)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
NET CHANGES IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

AUDITORS' COMMENTS AND REPORTS



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
OREGON AUDITING STANDARDS
(per Minimum Standards for Audits of Oregon Municipal Corporations)**

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, 2012, and have issued our report thereon dated February 12, 2013. 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 162-10-320, 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.
- 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.

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 noncompliance that could have a direct and material effect on the determination of financial statement amounts.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
February 12, 2013



John T. Fisher, CPA, CGFM
Partner
Oregon License #9781
Municipal License #1305



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON INTERNAL CONTROL 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 (the College) as of and for the year ended June 30, 2012, and have issued our report dated February 12, 2013. Our opinion was qualified due to the financial statements of the Clatsop Community College Foundation being unaudited. 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 of America.

Internal Control over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

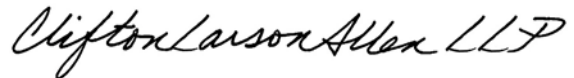
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of audit findings and questioned costs and responses to be significant deficiencies in internal control over financial reporting as item 2012-01. A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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

This report is intended solely for the information and use of management, the board of directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Bellevue, Washington
February 12, 2013



John T. Fisher, CPA, CGFM
Partner
Oregon License #9781
Municipal License #1305



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Clatsop Community College
Astoria, Oregon

Compliance

We have audited Clatsop Community College's (the College) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2012. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit 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 the College's management. Our responsibility is to express an opinion on the 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 the 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 of the College's compliance with those requirements.

In our opinion, Clatsop Community College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of audit findings and questioned costs as item 2012-03.

Internal Control over Compliance

The management of the 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 the 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 the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompany schedule of audit findings and question costs as item 2012-02 and 2012-03. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of management, the board of directors, others within the entity, 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.



CliftonLarsonAllen LLP

Bellevue, Washington
February 12, 2013



John T. Fisher, CPA, CGFM
Partner
Oregon License #9781
Municipal License #1305

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

Name of Agency or Department	CFDA No.	Name of Program	Entity Identifying Number	Total Awards Expended
Primary Governmental Agency - Clatsop Community College				
<u>U.S. Department of Labor</u>				
Passed through the Dept. of Community Colleges and Workforce Development	17.267	Incentive Grants - WIA Section 503	IGA0076	\$ 8,304
	17.275	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors		58,223
Passed through Clackamas Community College	17.282	Trade Adjustment Assistance Community College & Career Training		<u>98,875</u>
Total U.S. Department of Labor				<u>165,402</u>
<u>Small Business Administration</u>				
Passed through the Oregon Small Business Development Center Network Office	59.037	Small Business Development Center	11-149	30,250
	59.037	Small Business Development Center	SJB11-144	9,964
Total Small Business Administration				<u>40,214</u>
<u>U.S. Department of Education</u>				
Direct Programs:				
Student Financial Aid Cluster	84.007	Federal Supplemental Educational Opportunity Grants		96,216
	84.033	Federal Work Study Program		92,209
	84.063	Federal Pell Grant Program		2,676,968
	84.268	Federal Direct Loans		<u>2,562,744</u>
Total Student Financial Aid Cluster				5,428,137
TRIO Grant Cluster	84.042A	Student Support Services		293,451
	84.044A	Talent Search		305,270
	84.047A	Upward Bound		<u>271,552</u>
Total TRIO Grant Cluster				<u>870,273</u>
Subtotal Direct Programs				6,298,411
Passed through the Dept. of Community Colleges and Workforce Development	84.002	Adult Education - State Grant Program	EE5608	92,460
	84.048	Vocational Education - Basic Grants to States	4777	140,996
	84.048	Vocational Education - Basic Grants to States	IGA0419	<u>9,342</u>
Total Passed Through the Dept. of Community Colleges and Workforce Development				<u>242,798</u>
Total U.S. Department of Education				<u>6,541,208</u>
Total Expenditures of Federal Awards for Clatsop Community College				<u>\$ 6,746,824</u>

See accompanying Note to Schedule of Expenditures of Federal Awards.

**CLATSOP COMMUNITY COLLEGE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts report in, or used in the preparation of, the basic financial statements.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Section I - Summary of Auditors Results

Financial Statements

Type of auditors' report issued: Qualified opinion for the financial statements of the Clatsop Community College Foundation being unaudited.

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? yes no

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

Section II - Financial Statement Findings

Finding 2012-01

Criteria

Internal controls should be in place that require the review and approval of timesheets in order to provide reasonable assurance that payroll expenditures are appropriate and accurate.

Condition Found and Context

[X] *Significant Deficiencies* [] *Material Weakness*

During our testing of 40 payroll transactions, we noted two instances when an employee's timesheet was not signed by their supervisor indicating the supervisor had reviewed and approved the employee's time.

Effect

The College is vulnerable to payroll manipulation caused by improper time reporting due to lack of review of two selected timesheets.

Cause

The supervisor did not log onto the payroll software and electronically sign the employee's timesheet.

Recommendation

Supervisors should review employee timesheets and denote their review of the timesheet via signature denoting their responsibility of the timesheet.

Views of Responsible Officials and Planned Corrective Actions

The Financial Aid and Human Resource Offices will continue to monitor timesheets submitted by student employees. By use of the ADP time and attendance payroll system, deficiencies will be identified. Both offices will contact supervisors responsible for lack of timesheet signatures. If supervisors cannot be contacted in a timely manner, a secondary review will be conducted and backup approval will be done by the Federal Work Study coordinator in the Financial Aid Office. The coordinator has approval authority as a Federal Work Study supervisor.

In addition, the College Work Study supervisors will be oriented in the requirements necessary for compliance with all aspects of their supervisory responsibilities, including review and approval of hours worked by students. Orientation will occur at faculty and staff in-service opportunities before and during the academic year. Orientation will be conducted by Financial Aid and Human Resource Office staff. Complete information on the all aspects of supervisory responsibility are included in the "Federal Work Study Supervisor's Manual." All supervisors are given the manual when they become participants in the Federal Work Study student employment process.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

Section III - Federal Award Findings and Questioned Costs

Finding 2012-02

Program Information

Student Financial Aid Cluster:
CFDA #84.033 – Federal Work Study Program
U.S. Department of Education

Criteria

Internal controls should be in place that require the review and approval of timesheets in order to provide reasonable assurance that payroll expenditures are appropriate and accurate.

Condition Found and Context

[] *Compliance Finding* [X] *Significant Deficiencies* [] *Material Weakness*

During our testing of 40 payroll transactions, we noted two instances, both of which were Federal Work Study, when the employee's timesheet was not signed by their supervisor indicating the supervisor had reviewed and approved the employee's time.

Effect

The College is vulnerable to payroll manipulation caused by improper time reporting due to lack of review of two selected timesheets.

Cause

The supervisor did not log onto the payroll software and electronically sign the employee's timesheet.

Questioned Costs

None.

Recommendation

Supervisors should review employee timesheets and denote their review of the timesheet via signature denoting their responsibility of the timesheet.

Views of Responsible Officials and Planned Corrective Actions

The Financial Aid and Human Resource Offices will continue to monitor timesheets submitted by student employees. By use of the ADP time and attendance payroll system, deficiencies will be identified. Both offices will contact supervisors responsible for lack of timesheet signatures. If supervisors cannot be contacted in a timely manner, a secondary review will be conducted and backup approval will be done by the Federal Work Study coordinator in the Financial Aid Office. The coordinator has approval authority as a Federal Work Study supervisor.

In addition, the College Work Study supervisors will be oriented in the requirements necessary for compliance with all aspects of their supervisory responsibilities, including review and approval of hours worked by students. Orientation will occur at faculty and staff in-service opportunities before and during the academic year. Orientation will be conducted by Financial Aid and Human Resource Office staff. Complete information on the all aspects of supervisory responsibility are included in the "Federal Work Study Supervisor's Manual." All supervisors are given the manual when they become participants in the Federal Work Study student employment process.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 2012-03

Program Information

Student Financial Aid Cluster:
CFDA #84.268 – Federal Direct Loans
U.S. Department of Education

Criteria

Colleges must report changes in student status within 30 days of change or within 60 days if a roster is expected to be submitted.

Condition Found and Context

[X] *Compliance Finding* (Special Tests) [X] *Significant Deficiencies* [] *Material Weakness*

The College has students that graduated in June 2012 (and one in August 2012), that were not reported to NSLDS until November 2012. When the student's status did change, it was updated to a "withdrawal" as opposed to "graduated". We also noted three students whose statuses changed during the year that were not reported to NSLDS within the 60-day timeframe. In addition, we noted two students whose statuses changed during the year and the College correctly reported their data to the clearing house; however, NSLDS did not reflect the change within the 60-day timeframe.

Effect

The College did not comply with federal regulations for timely and accurately reporting student status changes.

Cause

The College did not report student status changes due to untimely data transmission as well as miscommunication with services provided through their clearinghouse.

Questioned Costs

None.

Recommendation

Management review student status uploads, as well as services offered by their clearinghouse to ensure they are updating student statuses in a timely manner. This could be done through review of students whose status changed compared to what NSLDS has recorded.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 2012-03 (Continued)

Views of Responsible Officials and Planned Corrective Actions

A complete review of reporting responsibilities and requirements for NSLDS reporting will be conducted. The review will include all procedures necessary to comply with existing federal rules and regulations as outlined in the current Federal Student Aid Handbook and National Student Loan Data System Enrollment Reporting Guide. Data reporting procedures will be reviewed and adjusted. National Student Clearinghouse's data transfer requirements will be reviewed to ensure accurate institutional data transfer.

The College's campus-based integrated data system used to generate enrollment reports will be reviewed. The software vendor will be contacted to determine if the system is properly generating data necessary for compliance with reporting requirements. The College, on an ongoing basis, will be communicating with the Clearinghouse to ensure a full understanding of the electronic data reporting requirements. In addition, the College will ensure accurate data reporting through the thorough review of student status data before submission to the Clearinghouse. This will be accomplished by an ongoing review of data files before submission. The College staff will monitor all activities necessary to ensure accurate and timely data submission. Data will be submitted only after review. Ad hoc reporting will be done when necessary to comply with student status changes that fall outside of the mandatory reporting cycle.

**CLATSOP COMMUNITY COLLEGE
PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Finding 2011-01

Program Information

Student Financial Aid Cluster:
CFDA #84.007 – Federal Supplemental Educational Opportunity Grants
U.S. Department of Education

Condition Found and Context

[X] *Compliance Finding* [] *Significant Deficiencies* [] *Material Weakness*

The College did not return Title IV funds timely for one student selected within a sample selected.

Recommendation

Management should continue to seek improvements in the College's internal control procedures to ensure that all student withdrawals are evaluated properly and timely.

Status

Implemented

Finding 2011-02

Program Information

Student Financial Aid Cluster:
CFDA #84.268 – Federal Direct Loans
U.S. Department of Education

Condition Found and Context

[X] *Compliance Finding* [] *Significant Deficiencies* [] *Material Weakness*

The College did not have adequate documentation to substantiate that exit counseling was conducted.

Recommendation

Management should implement a process to retain documentation of the exit counseling taking place. This would be done through retaining an email sent to a student.

Status

Implemented