LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2002

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Lane Community College have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the College's accounting policies are described below.

(A) Organization and Operation

Lane Community College (the College) was formed in 1964 under ORS Chapter 341. The College is governed by a seven member Board of Education whose members are elected independently.

(B) Description of the Reporting Entity

The financial statements of the College include all funds and account groups of the College, and the Board of Education is not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in GAAP, primarily on the basis of authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific financial benefits or impose specific financial burdens and that organization's fiscal dependency.

(C) Measurement Focus and Bases of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other uses) in net current assets.

All proprietary fund types and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operating of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type and pension trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

In accounting and reporting for its proprietary funds, the College applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and all applicable 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 they conflict with or contradict GASB pronouncements.

The governmental fund types, expendable trust fund and agency fund are maintained using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for:

- Interfund transactions which are recorded on the accrual basis.
- Interest on long-term debt which is recorded on its due date.
- Earned but unpaid vacation pay, which is recorded as an expenditure to the extent that it is expected to be liquidated with expendable available financial resources.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(C) Measurement Focus and Bases of Accounting (Contd)

Significant revenues which are measurable and available under the modified accrual basis of accounting are as follows:

- Federal and state grants.
- Property taxes received within sixty days of the end of a fiscal year.
- Student accounts receivable received within sixty days of the end of a fiscal year.

The proprietary fund types and pension trust funds are accounted for utilizing the accrual basis of accounting whereby revenues are recorded at the time they are earned and expenses are recorded at the time liabilities are incurred.

The bases of accounting described above are in accordance with generally accepted accounting principles.

(D) Fund Accounting

The College uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

GOVERNMENTAL FUND TYPES:

General Fund

The General Fund is the general operating fund of the College. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenues Funds are used to account for the proceeds of specific revenue sources, other than expendable trust or major capital projects, that are legally restricted for specified purposes. Funds included in this category are the Special Revenue Fund and the Student Financial Aid Fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, principal and interest on College bonds and debt obligations payable.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital improvements.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(D) Fund Accounting (Contd)

PROPRIETARY FUND TYPES:

Enterprise Fund

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to those of private business enterprises. The intent of the Board of Education is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund

The Internal Service Fund is used to account for various services provided on a cost-reimbursement basis to various departments within the College.

FIDUCIARY FUND TYPES:

These funds account for resources received and held by the College in a fiduciary capacity or as an agent for student organizations, other governments and other funds. Disbursements from these funds are made in accordance with the trust agreement or applicable legislative enactment. Fiduciary funds include Pension Trust Funds, an Expendable Trust Fund and an Agency Fund. The Expendable Trust Fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary fund types include:

Pension Trust Funds:	Early Retirement Fund Post-Retirement Benefits Fund
Expendable Trust Fund:	Endowment Fund
Agency Fund:	Revolving Fund

ACCOUNT GROUPS:

General Fixed Assets Account Group

Used to record those fixed assets used in the performance of general governmental functions, but not those fixed assets of the Enterprise Fund or Internal Service Fund. No depreciation is recorded on general fixed assets.

General Long-Term Debt Account Group

Used to record long-term liabilities expected to be paid from governmental funds including compensated absences, bonds, and other debt obligations.

(E) Budget

Except for Pension Trust Funds and the Agency Fund, the College is required by state law to budget all funds. The College follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In the spring of each year, the President of the College submits a proposed budget to the budget committee which consists of the Board of Education and an equal number of concerned citizens of the community. Estimated receipts and expenditures are budgeted by fund, department and major category.

(E) <u>Budget</u> (Contd)

2. The budget committee conducts public hearings for the purpose of obtaining taxpayer comments.

3. The budget committee proposes a budget to the Board of Education. The estimated expenditures for each fund may not be increased by more than 10 percent by the Board, and ad valorem taxes for all funds may not exceed the amount shown in the budget document unless the Board republishes the budget and holds additional public hearings.

4. The Board legally adopts the budget before July 1 through a Board resolution. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of control established by the resolution for each fund is at the major expense function level (i.e. Instruction, Community Services, etc.). Appropriations lapse at year-end.

5. The Board may change the budget throughout the year by appropriation transfers between levels of control and supplemental budgets as authorized by Oregon Revised Statutes. During the fiscal year ended June 30, 2002, the Board adopted a supplemental budget and approved transfer resolutions as allowed by state law.

The College generally budgets each governmental fund type and expendable trust fund on a modified accrual (generally accepted accounting principles - GAAP) basis except property taxes are recorded as revenues when received on the budgetary basis and when they are considered to be measurable and available on the GAAP basis.

The College budgets proprietary funds on a working capital non GAAP basis.

(F) <u>Cash and Cash Equivalents</u>

For purposes of the statement of cash flows, the College considers amounts of equity in pooled cash and investments as cash and cash equivalents. This is in conformity with Statement No. 9 of the Governmental Accounting Standards Board which states that deposits in cash management pools that have the general characteristics of demand deposit accounts are appropriately classified as cash.

(G) <u>Investments</u>

Investments included in cash and investments are reported at fair value. The College invests primarily in the State of Oregon Local Government Investment Pool, U.S. government and agencies securities, bankers' acceptances and commercial paper. All College investments are authorized by Oregon Revised Statutes. Interest earned from pooled investments is allocated based on a fund's portion of the total investment balance. The College maintains
depository insurance under Federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool, U.S. government and agencies securities, bankers' acceptances and commercial paper, which are exempt from statutes requiring such insurance.

(H) <u>Receivables</u>

Property taxes receivable in the Governmental Fund Types which have been collected within 60 days subsequent to year-end are considered measurable and available, and are recognized as revenues in the funds. All other property taxes receivable in the Governmental Fund Types are offset by deferred revenue because they are not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary as uncollectable taxes become a lien on the property.

Student accounts receivable are recorded as tuition and fees are assessed. Student accounts receivable which have been collected within 60 days subsequent to year-end are considered measurable and available and are recognized as revenues. All other student accounts receivable are offset by deferred revenue because they are not deemed available to finance operations of the current period.

Receivables for federal and state grants in all fund types are recorded as revenue when earned. Accounts and other receivables in Proprietary Fund Types are recorded as revenue when earned.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(I) Student Financial Aid Loans

Student financial aid loans are recorded as an expenditure when the loan is made and as revenue upon collection. The amount loaned to students since inception of this program, less the allowance for uncollectable loans and collections on loans to date, is recorded as deferred revenue.

(J) Inventories

Enterprise and Internal Service Funds inventories are carried at the lower of first-in, first-out (FIFO) cost or market, and are charged to expense as used. Inventory in the General Fund is valued at cost, using the FIFO method, and is recorded as an expenditure when consumed rather than when purchased.

(K) Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets.

All fixed assets are valued at estimated cost, as established by a comprehensive asset appraisal, with subsequent additions at cost. Donated assets are valued at their estimated value at the date of donation.

Disposal of equipment occurs in several ways. Surplus equipment is first offered to other college departments. If no on-campus use is found, the equipment may be offered for sale off-campus. Proceeds from the sale of excess equipment is accounted for in the General Fund.

For the proprietary fund types, normal maintenance and repairs are charged to operations as incurred. Expenditures for major additions, improvements and replacements are capitalized. Depreciation of fixed assets is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related historical costs and accumulated depreciation, and resulting gains or losses are reflected in income.

The estimated useful lives for the proprietary fund type equipment is 4 to 20 years.

(L) Arbitrage Rebate Payable

Federal regulations require that investment earnings on tax exempt bonds in excess of the interest rate of the bond obligation are subject to arbitrage rebate requirements. Under these requirements, the College must pay excess interest earnings to the federal government.

Excess interest earnings are recorded as a reduction in revenue and are recorded as a liability in the Capital Projects Fund.

(M) Long-Term Debt

All unmatured long-term debt, except that expected to be paid from proprietary funds, is recorded in the General Long-Term Debt Account Group.

(N) Leases

Leases which meet certain criteria established by the Financial Accounting Standards Board are classified as capital leases and recorded in the General Long-Term Debt Account Group or in the proprietary funds. Leases which do not meet criteria of a capital lease are classified as operating leases.

(O) Compensated Absences

Vacation is accrued in the proprietary fund types as earned by employees. In governmental fund types, the amounts, if any, expected to be liquidated with expendable available resources are accrued in the funds, and the amounts payable from future resources are recorded in the General Long-Term Debt Account Group. Sick pay, which does not vest, is recorded in all funds when leave is taken.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(P) Retirement Plans

Public Employes Retirement System

Substantially all of the College's employees are participants in the Oregon Public Employes Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and charged to expenditures as accrued.

Early Retirement Program

The College offers a voluntary early retirement program to management and faculty employees who are between the ages of 55 and 65 and meet certain service criteria. Participants receive a monthly early retirement payment (until age 62 for faculty employees, until age 65 or a maximum of 84 payments for management employees). Payment of benefits is made from a pension trust fund which accumulates employer contributions. The employer contributions are based upon actuarially determined amounts and are charged to expenditures as paid and recognized as revenue in the pension trust fund when received.

Post-Retirement Program

The College offers a voluntary early retirement health care and life insurance program to faculty and management employees who are between the ages of 55 and 65 and meet certain service criteria. For faculty participants, the College pays the employees' and employee spouses' monthly cost of coverage until the employee reaches age 65 or qualifies for Medicare coverage. Spouse coverage continues until the spouse reaches age 65. For management participants, the College pays the employees' and employee spouses' monthly cost of coverage until the employee qualifies for Medicare coverage or for 84 months, whichever comes first. Spouse coverage ceases when employee coverage ceases. Payment of benefits are made from a pension trust fund which accumulates employer contributions. Employer contributions to the pension trust fund are charged to expenditures as paid and recognized as revenue in the pension trust fund when received. Benefit payments for participants are expensed in the pension trust fund when payable to the benefits provider.

(Q) Property Tax Calendar

Ad valorem property taxes are levied on all taxable property as of July 1. Property taxes become an enforceable lien on that date for real property and for personal property. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Uncollected taxes, including delinquent amounts, are considered substantially collectable or recoverable through liens.

(R) Fund Equity

Contributed capital is recorded in proprietary funds that have received contributions from other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

(S) Memorandum Only - Totals Columns

The totals columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2 - CASH AND INVESTMENTS:

The College maintains an internal cash and investments pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and investments". In addition, cash and investments are separately held by some of the College's funds.

Cash and investments are comprised of the following at June 30, 2002:

Cash on hand	$ 96,294
Cash with County Treasurer	3,109
Deposits with financial institutions	3,094,287
Investments	32,230,718
Total cash and investments	$35,424,408

Deposits

Deposits with financial institutions are bank demand deposits and certificates of deposit. The total bank balance, as shown on the banks' records at June 30, 2002, is $4,362,437. Of these deposits, $300,000 was covered by federal depository insurance, $10,450 was not collateralized and the balance was collateralized with certificates of participation. Oregon laws require municipal corporations to obtain certificates of participation issued by a pool manager for amounts on deposits in excess of federal depository insurance, and the college held certificates totaling $12,500,000 at June 30, 2002. Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the outstanding certificates of participation issued by the pool manager. Deposits in excess of federal depository insurance, even to the extent collateralized by certificates of participation, are considered uncollaterized by GASB Statement No. 3.

Investments

State statutes authorize the College to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, commercial paper, and the State Treasurer's Oregon Local Government Investment Pool, among others.

Investments are categorized as either (1) insured or registered or for which the securities are held by the College or its agents in the College's name, (2) uninsured and unregistered for which the securities are held in the College's name by the trust department of the financial institution selling the security to the College, or (3) uninsured and unregistered for which the securities are held by the financial institution selling the security to the College or by its trust department but not in the College's name.

At June 30, 2002, the College's investments consisted of:

	Category			Reported	Fair
	1	2	3	Amount	Value
U.S. government and agencies securities	$ -	$ 9,200,166	$ -	$ 9,200,166	$ 9,200,166
Bankers' acceptances	-	-	3,260,104	3,260,104	3,260,104
Commercial paper	-	-	2,476,833	2,476,833	2,476,833
Total categorized investments	$ -	$ 9,200,166	$ 5,736,937	14,937,103	14,937,103
State of Oregon Local Government Investment Pool				17,293,615	17,293,615
Total investments				$32,230,718	$32,230,718

3 - DUE FROM/TO OTHER FUNDS:

	Due From Other Funds	Due To Other Funds
General Fund	$ 1,931,070	$ -
Special Revenue Fund	-	553,056
Student Financial Aid Fund	-	1,378,014
Totals	$ 1,931,070	$ 1,931,070

4 - FIXED ASSETS:

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year:

	Balance July 1, 2001	Additions	Retirements	Balance June 30, 2002
Land	$ 1,127,760	$ -	$ -	$ 1,127,760
Buildings and improvements	66,141,552	10,616,131	-	76,757,683
Furniture and equipment	7,247,117	713,626	116,447	7,844,296
Books and periodicals	3,181,184	166,761	-	3,347,945
Total General Fixed Assets Account Group	$ 77,697,613	$ 11,496,518	$ 116,447	$ 89,077,684

The following is a summary of proprietary fund type fixed assets at June 30, 2002:

	Enterprise Fund	Internal Service Fund	Total
Land	$ -	$ 24,500	$ 24,500
Equipment	734,397	1,134,462	1,868,859
Accumulated depreciation	(400,602)	(577,106)	(977,708)
Net fixed assets	$ 333,795	$ 581,856	$ 915,651

5 - LONG-TERM DEBT:

Changes in General Long-Term Debt Account Group

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the General Long-Term Debt Account Group:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Vacation payable	$ 1,316,816	$ 31,127	$ -	$ 1,347,943
Bonds payable	32,445,000	-	2,730,000	29,715,000
Debt obligations payable	495,000	2,600,000	70,000	3,025,000
	$ 34,256,816	$ 2,631,127	$ 2,800,000	$ 34,087,943

Bonds Payable

The full faith and credit of the College is pledged for the Series 1995 General Obligation Bonds. The bonds were issued to provide funds for improvements to existing facilities, construct additional learning centers and purchase instructional equipment. The bonds are being retired from property taxes levied by the College. The bonds are due annually and interest is payable semi-annually, on June 1 and December 1, with interest rates ranging from 4.85% to 5.5%. Future bonded debt requirements are as follows:

	Principal	Interest	Total
2002-03	$ 3,075,000	$ 1,533,577	$ 4,608,577
2003-04	3,440,000	1,373,678	4,813,678
2004-05	3,800,000	1,194,797	4,994,797
2005-06	4,190,000	997,198	5,187,198
2006-07	4,610,000	766,747	5,376,747
2007-08	5,055,000	522,418	5,577,418
2008-09	5,545,000	277,250	5,822,250
Total	$ 29,715,000	$ 6,665,665	$36,380,665

5 - LONG-TERM DEBT: (Contd)

Debt Obligations Payable

The College has outstanding at June 30, 2002, the Full Faith and Credit Debt Obligations, Series 1992, in the amount of $495,000. These obligations are due serially, with an interest rate 6.15%, payable semi-annually on August 1 and February 1. Obligations maturing on or after February 1, 2001 are subject to redemption at the option of the College on or after February 1, 2000, in whole at any time or in part on any interest payment date at a price of par plus accrued interest to the date of redemption. The full faith and credit of the College is pledged for the payment of this debt. Future obligations requirements are as follows:

	Principal	Interest	Total
2002-03	$ 75,000	$ 26,138	$ 101,138
2003-04	80,000	21,525	101,525
2004-05	85,000	16,605	101,605
2005-06	90,000	11,376	101,376
2006-07	95,000	5,843	100,843
Total	$ 425,000	$ 81,487	$ 506,487

During 2001-02, the College issued a Financing Agreement Note, Series 2001, in the amount of $2,600,000. The note is payable in annual principal payments of $260,000 and interest is payable semi-annually at a rate of 4.7% per annum. The full faith and credit of the College is pledged for the payment of this debt. Future obligations requirements are as follows:

	Principal	Interest	Total
2002-03	$ 260,000	$ 116,090	$ 376,090
2003-04	260,000	103,870	363,870
2004-05	260,000	91,650	351,650
2005-06	260,000	79,430	339,430
2006-07	260,000	67,210	327,210
2007-08	260,000	54,990	314,990
2008-09	260,000	42,770	302,770
2009-10	260,000	30,550	290,550
2010-11	260,000	18,330	278,330
2011-12	260,000	6,110	266,110
Total	$ 2,600,000	$ 611,000	$ 3,211,000

6 - RETIREMENT PLANS:

State of Oregon Public Employes Retirement System:

Plan Description

The College participates in the State of Oregon Public Employes Retirement System (PERS), a cost sharing multiple-employer pension plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The system is a statewide defined benefit retirement plan for units of state government, community colleges, political subdivisions, and school districts. PERS is administered under Oregon Revised Statutes Chapter 238 by the Public Employes Retirement Board. Participation by state government units, community colleges, and school districts is mandatory. Participation by most political subdivisions is optional but irrevocable if elected. A stand-alone financial report is not available for the College. However, the State of Oregon Public Employes Retirement System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to Oregon Public Employes Retirement System, 11410 S.W. 68th Parkway, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling (503) 598-PERS.

Funding Policy

PERS members are required to contribute 6% of their annual covered salary. The College is required to contribute an actuarially determined rate; the current rate is 9.49% of annual covered payroll. The contribution requirements of plan members and the College are established and may be amended by the Public Employes Retirement Board. The College's contributions to PERS for the years ending June 30, 2002, 2001 and 2000, totaled \$3,884,593, \$3,654,029 and \$3,514,133, respectively, equal to the required contributions.

Early Retirement Plan:

Plan Description

The College maintains a single-employer defined benefit public employee early retirement supplement plan which provides early retirement benefits to substantially all management personnel who commenced employment with the College prior to July 1, 1991, and all faculty members of the College. The plan was established under collective bargaining agreements with the faculty and contract negotiations with management. The plan is included as a pension trust fund in the College's annual financial report.

Funding Policy

The benefits from this program are fully paid by the College and, consequently, no contributions by employees are required. Although there is no obligation on the part of the College to fund these benefits in advance, the College has established the Early Retirement Fund, a pension trust fund, to accumulate assets to pay these benefits in the future. The funding policy for this plan provides for actuarially determined transfer of resources to the Early Retirement Fund that is intended to be a constant dollar amount for each employee covered by the plan so that sufficient assets will be available to pay benefits when due.

6 - RETIREMENT PLANS: (Contd)

STATE OF OREGON PUBLIC EMPLOYES RETIREMENT SYSTEM: (CONTD)

<u>Annual Pension Cost and Net Pension Obligation</u>

The College's annual pension cost and net pension obligation to the plan for the year ended June 30, 2002, are as follows:

Annual required contribution	$ (96,876)
Interest on net pension obligation	(104,041)
Adjustment to annual required contribution	285,553
Annual pension cost	84,636
Contribution made	-
Increase-(decrease) in net pension obligation	84,636
Net pension obligation - July 1, 2001	(1,981,736)
Net pension obligation - June 30, 2002	$ (1,897,100)

The annual required contribution for the year was determined as part of the June 30, 2001 actuarial valuation using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 5.25% compounded annually, and (b) 4.25% salary increases per annum for management employees, reflecting both inflation and seniority/merit adjustments.

<u>Three-Year Trend Information</u>

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-02	$ 84,636	0%	$ (1,897,100)
6-30-01	$ 304,610	118%	$ (1,981,736)
6-30-00	$ 275,949	185%	$ (1,927,698)

POST-RETIREMENT BENEFITS PLAN:

<u>Plan Description</u>

The College maintains a single-employer defined benefit post-retirement benefits plan. The plan provides group health care and life insurance benefits for retired employees from the employees' retirement date to age 65. Substantially all management personnel who commenced employment with the College prior to July 1, 1991, and all faculty employees become eligible for these benefits if they qualify for retirement while working for the College. The plan was established under collective bargaining agreements with the faculty and contract negotiations with management. The plan is included as a pension trust fund in the College's annual financial report.

6 - RETIREMENT PLANS: (Contd)

POST-RETIREMENT BENEFITS PLAN: (CONTD)

Funding Policy

The benefits from this program are fully paid by the College and, consequently, no contributions by employees are required. Although there is no obligation on the part of the College to fund these benefits in advance, the College has established the Post-Retirement Benefits Fund, a pension trust fund, to accumulate assets to pay these benefits in the future. The funding policy for this plan provides for actuarially determined transfer of resources to the Post-Retirement Benefits Fund that is intended to be a constant dollar amount for each employee covered by the plan so that sufficient assets will be available to pay benefits when due.

Annual Pension Cost and Net Pension Obligation

The College's annual pension cost and net pension obligation to the plan for the year ended June 30, 2002, are as follows:

Annual required contribution	$ 783,471
Interest on net pension obligation	(105,745)
Adjustment to annual required contribution	287,332
Annual pension cost	965,058
Contribution made	(783,471)
Increase-(decrease) in net pension obligation	181,587
Net pension obligation - July 1, 2001	(2,014,194)
Net pension obligation - June 30, 2002	$ (1,832,607)

The annual required contribution for the year was determined as part of the June 30, 2001 actuarial valuation using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 5.25% compounded annually, and (b) annual rate of increase in medical care costs of 8%, decreasing to 4% after 8 years.

Three-Year Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-02	$ 965,058	81%	$ (1,832,607)
6-30-01	$ 260,701	121%	$ (2,014,194)
6-30-00	$ 268,742	75%	$ (1,958,515)

7 - CONTINGENCIES:

Grants receivable and grant receipts are subject to adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including claims already collected, could become a liability to the College.

The College is involved in various legal proceedings. Management believes that any losses arising from these actions will not materially affect the College's financial position.

8 - 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 participates in the Oregon School Boards Association Property and Casualty Trust and pays an annual premium to the Trust for its property, crime, commercial general liability and automobile liability and physical damage coverages. The Trust is to be self-sustaining through participant premiums and reinsures through commercial companies for claims in excess of certain limits.

The College carries commercial insurance for workers' compensation, boiler and machinery, public official bond and employee dishonesty coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

9 - RELATED PARTY:

During the 2001-02 fiscal year, the College contracted for legal services with an individual whose spouse is a member of the College's Board of Education. The College paid $90,250 for these services during the year.