

**LANE COMMUNITY COLLEGE
EUGENE, OREGON**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2004**

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**Mary F.T. Spilde, President
Marie Matsen, Vice President & Chief Financial Officer
Stan Barker, Director of College Finance and Purchasing**

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INTRODUCTORY SECTION

November 5, 2004

Office of the President

Board of Education
Lane Community College
4000 E. 30th Ave.
Eugene, Oregon 97405

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for Lane Community College for the fiscal year ended June 30, 2004, in accordance with Oregon Revised Statutes (ORS) 297.405 to 297.555 and 297.990, known as Municipal Audit Law. The responsibility for the completeness and fairness of the data presented and all accompanying disclosures rests with the management of Lane Community College. We believe the report and its data are accurate and complete in all material aspects in disclosing the financial position and results of operations of Lane Community College as of June 30, 2004, and for the year then ended.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Lane Community College's MD&A can be found immediately following the independent auditor's report in the Financial Section.

The Comprehensive Annual Financial Report is organized in five sections, as follows:

1. The Introductory Section contains the letter of transmittal with an overview of the college that includes factors affecting the financial conditions and required supplementary information, a listing of principal officials, and the organization chart.
2. The Financial Section includes the basic financial statements and accompanying notes as well as the Independent auditor's report.
3. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.
4. The College is required to have an annual single audit in conformity with the provisions of the Single Audit Act and U.S. Office of Management and Budget Circular A-133. Audits of States, Local Governments and Non-profit Organization. Information related to the single audit, and Government Auditing Standards, including the Schedule of Expenditures of Federal Awards and various independent auditors' reports, are included in the Governmental auditing Standards and OMB Circular A-133 Disclosures Section.
5. The independent Auditor's Comments Section includes the auditor's comments required by the Minimum standards for Audits of Oregon Municipal Corporations.

COLLEGE INFORMATION

Lane Community College is a comprehensive, two-year, public college founded in 1964. Lane serves a 4,600 square-mile area from the Cascade Mountains to the Pacific Ocean. The district has a population of approximately 325,000. In recent years, more than 30,000 people take one or more classes at Lane each year (unduplicated headcount). Congruent with its mission, Lane offers a broad range of educational programs leading to four associate degrees: associate of arts/Oregon transfer, associate of science, associate of general studies, and associate of applied science. All Lane educational programs are based on recognized fields of study and are approved by the Oregon Department of Community College and Workforce Development as sufficient in content and length. The College is the second largest of Oregon's seventeen community colleges.

College Mission

Lifelong learning is a key element of Lane's comprehensive mission. Lane is a learning-centered community college that provides affordable, high-quality, lifelong educational opportunities that include:

Professional technical and lower division college transfer programs,
Employee skill upgrading, business development and career enhancement,
Foundational academic, language and life skills development,
Lifelong personal development and enrichment and
Cultural and community services.

Programs

Lane Community College has five major areas of study:

Professional-Technical education trains students who want to qualify to work in specific fields.

College Transfer courses for students who will continue their education at a four-year college or university.

Lifelong learning opportunities through both credit and non-credit courses and workshops.

Developmental skill-building classes for people who want to learn basic reading, writing, mathematics and study skills, finish high school, or learn English as a second language.

Workforce training and small business development: In cooperation with district businesses and agencies, Lane offers job-related training customized to the organization's needs. In addition, Lane offers training and support for area small businesses.

Economy

Lane County is larger than Delaware and Rhode Island combined. Although 90 percent of Lane County is forestland, Eugene and Springfield combined are the second largest urban area in Oregon. The principal industries in Lane County are agriculture, higher education, high technology, forest products, recreation, RV manufacturing and tourism. Lane County is the home to the University of Oregon, several high tech companies such as HYNIX Semiconductor and Sony, in addition to forest products companies such as Weyerhaeuser. Lane County's median income according to the 2000 U.S. Census was \$36,942, Oregon's median income was \$40,916 and the United States median income was \$43,527. In July of 2004 Lane County's unemployment rate was 6.8%, which was equal to Oregon's unemployment rate for July. The U.S. unemployment rate for July 2004 was 5.5%. Other financial and demographic information can be found in the Statistical Section of Lane Community College's CAFR.

Governing Bodies

The members of the Board of Education of Lane Community College are duly elected representatives of the people, pursuant to the statutes of Oregon and consistent with the rules of the Oregon Board of Education. The Lane Community College Board of education has statutory charge and control of all activities, operations and programs of the College including its property, personnel, and finances. The college is not a component unit of any other entity. The College has one discretely presented component unit, Lane Community College Foundation, for which the College is considered to be financially accountable. The Board of Education comprises seven qualified members elected for four-year terms. Members are elected from established zones within the community college district.

Oregon State Board of Education

The Oregon State Board of Education is the agency that provides state-level regulations of Oregon's community college system. The Commissioner of the Department of Community Colleges and Workforce Development serves as an administrative officer of community college matters. The Board establishes state standards for educational programs and facilities and approves courses of study.

College Management

The President, appointed by the local Board of Education, is the Chief Executive Officer of the College. The President and management team of the college administer policies set by the Lane Board of Education.

Accreditation

The Northwest Association of Schools and Colleges has granted accreditation to Lane Community College. The college's most recent full-scale accreditation visit occurred in October 2004; the commission's report will be issued in January 2005. The Oregon Department of Education has approved all of the professional-technical programs and college transfer courses.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The Lane Board of Education has selected the accounting firm of Kenneth Kuhns & Co. as its auditors. In addition to meeting the requirements set forth in Oregon statutes, the audit also was designed to meet the requirements of the federal Single Audit Amendment of 1996 and related OMB Circular A-133.

Acknowledgments

We wish to express our appreciation to the entire business office staff for their efforts and contributions to our Comprehensive Annual Financial Report. We further extend our thanks to the staff of Kenneth Kuhns & Co. for their efforts during this audit. We also thank the Lane Board of Education for its support and dedication to the financial health of the college.

Sincerely,



Mary F. T. Spilde
President



Marie Matsen
Vice President & Chief Financial Officer



Stan Barker
Director of College Finance and Purchasing

LANE COMMUNITY COLLEGE

June 30, 2004

Board of Education

<u>Official</u>	<u>Address</u>	<u>Office</u>
Michael R. Rose	2690 Lawrence Street Eugene, Oregon 97405	Chair
Paul Holman	1490 Myrtle Loop Florence, Oregon 97439	Vice Chair
Jay Bozievich	304 Sunnyside Drive Eugene, Oregon 97404	Member
Roger C. Hall	3275 Bryceler Drive Eugene, Oregon 97405	Member
Larry A. Romine	2655 Polk Street Eugene, Oregon 97405	Member
Kathleen C. Shelley	46525 McKenzie Highway Vida, Oregon 97488	Member
Dennis Shine	2923 Game Farm Road Springfield, Oregon 97477	Member

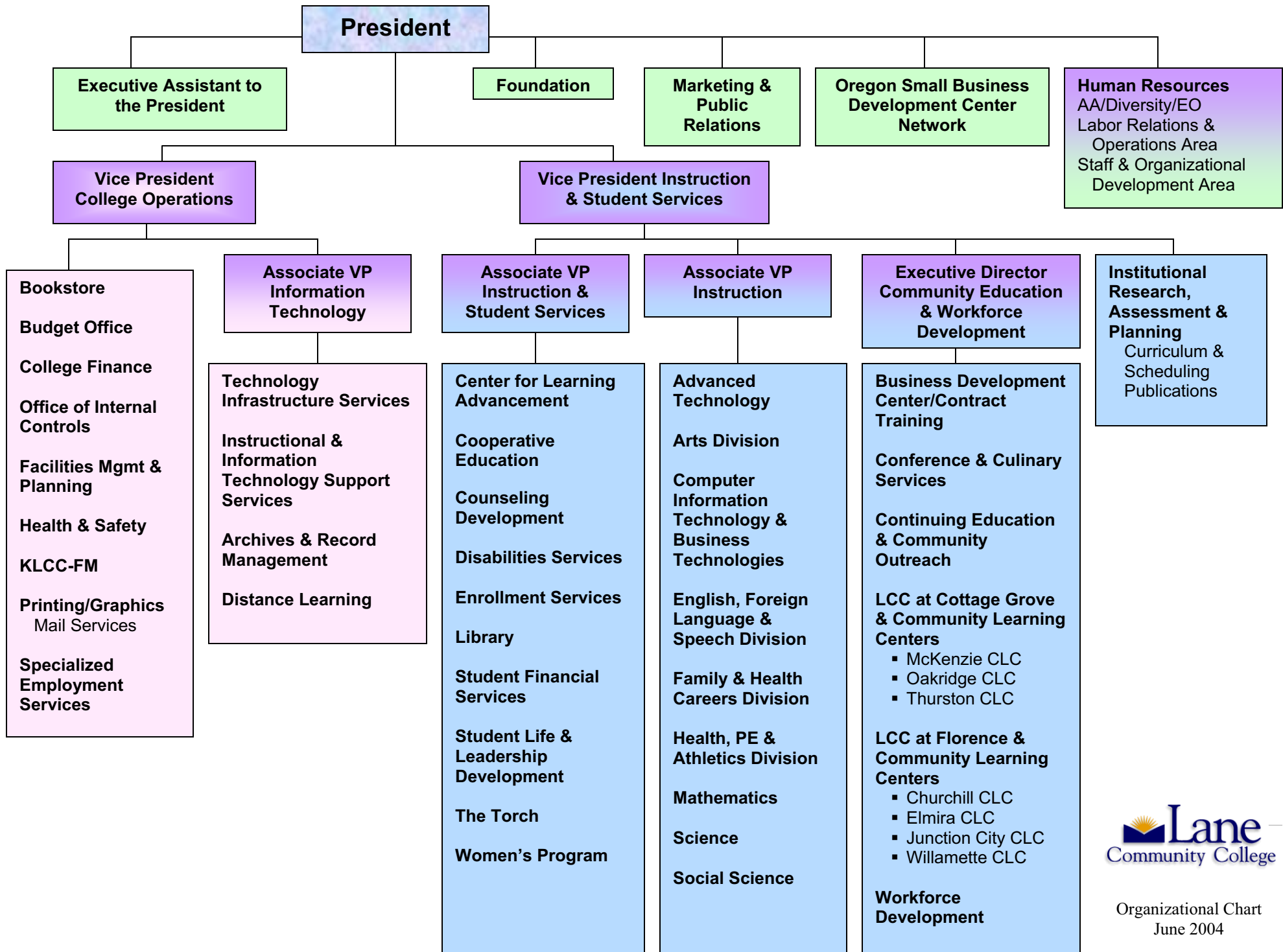
Administration

Mary Spilde

President

Marie Matsen

Vice President for College Operations



FINANCIAL SECTION

KENNETH KUHNS & CO.
CERTIFIED PUBLIC ACCOUNTANTS
570 LIBERTY STREET S.E.
SALEM, OREGON 97301-3594
TELEPHONE (503) 585-2550

INDEPENDENT AUDITOR'S REPORT

August 31, 2004

Board of Education
Lane Community College
Eugene, Oregon

We have audited the statement of net assets of Lane Community College as of June 30, 2004, 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 College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Lane Community College Foundation, a discretely presented component unit of Lane Community College. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lane Community College Foundation, is based on the report of the other auditors.

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, and the report of the other auditors, provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Lane Community College as of June 30, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 9 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2004 on our consideration of Lane Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Kenneth Kuhns & Co.

Kenneth Kuhns & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lane Community College

Management's Discussion and Analysis

This section of Lane Community College's (the College) annual financial report provides an overview and analysis of the College's financial performance during the fiscal year ended June 30, 2004. This overview has been prepared by management, along with the financial statements and related note disclosures, and should be read in conjunction with them. The financial statements, notes to the financial statements and this discussion are the responsibility of management.

New Accounting Standards

During 1999 the Governmental Accounting Standards Board (GASB) released two Statements, which the College was required to implement for the fiscal year ended June 30, 2003. Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Statement 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, have established a new reporting format for the College's financial statements. These GASB Statements require a comprehensive presentation of financial position and results of operations of the College's various funds from a single, entity-wide perspective and also require recognition of depreciation on capital assets. The College adopted these standards for the fiscal year ended June 30, 2003. This is the first year a comparative analysis is presented in this Management's Discussion and Analysis.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the College's basic entity-wide financial statements, which have been prepared in accordance with generally accepted accounting principles. The entity-wide presentation is designed to provide readers with a broad overview of the College's finances, in a manner similar to a private sector business. These financial statements focus on the College's overall financial condition, its results of operations and its cash flows. The entity-wide financial statements consist of:

- *The Statement of Net Assets*, which presents the College's financial position at the end of the year, and includes all assets and liabilities. The difference between total assets and total liabilities – net assets – is an indicator of the College's present financial condition. Over time, increases or decreases in the College's net assets shows whether its financial health is improving or deteriorating. Assets and liabilities are generally measured using current values; capital assets are stated at historical cost, less an allowance for depreciation.
- *The Statement of Revenues, Expenses and Changes in Net Assts*, which presents the College's operating results for the year. Revenues and expenses are generally reported using the accrual method of accounting, which records transactions as soon as they occur, regardless of when cash is exchanged. Usage of capital assets is reported as depreciation expense, which amortizes the cost of assets over their estimated useful lives. Revenues and expenses are reported as either operating or non-operating. Operating revenues come primarily from tuition, auxiliary enterprises (such as the Bookstore), and student financial aid grants. State appropriations and property taxes, while budgeted for operations, must be classified in the statement as non-operating revenues.

- *The Statement of Cash Flows*, which presents information about cash receipts and cash payments during the year. This statement also assists users in assessing the College's ability to generate net cash flows, its ability to meet its obligations as they come due, and its potential need for external financing.
- *The Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements.

Financial Highlights

- As of June 30, 2004 the College's assets exceeded its liabilities by \$60,183,034 (*net assets*). Of this amount, \$18,572,563 is classified as unrestricted net assets. These unrestricted net assets may be used to meet the College's ongoing obligations. The largest component (\$36,011,588) of net assets is the College's investment in capital assets, which represents its land, buildings, machinery and equipment, net of accumulated depreciation and related debt. The College uses these capital assets to provide educational services to its students; consequently these assets are not available for future spending.
- Prior year's fourth quarter State community college support revenues were deferred and paid in this year, thus showing reduced State support in 2003 and increased State support in 2004. This is further explained on page 6.

Analysis of the Statement of Net Assets As of June 30, 2004

This Statement includes all of the assets and liabilities of the College using the previously described accrual method of accounting, which is similar to the accounting presentation used by business. Net Assets is a measure of the College's financial condition.

In summary form Net Assets consisted of:

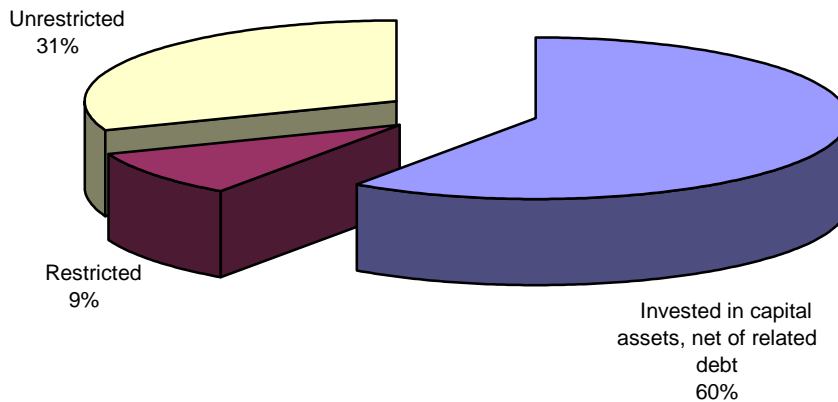
	<u>2004</u>	<u>2003</u>	<u>% change</u>
Assets			
Current assets	\$ 29,371,739	\$ 21,338,165	37.6%
Noncurrent assets	<u>117,944,294</u>	<u>118,906,953</u>	-0.8%
Total assets	<u>\$ 147,316,033</u>	<u>\$140,245,118</u>	5.0%
Liabilities			
Current Liabilities	\$ 13,523,179	\$ 13,426,342	0.7%
Noncurrent liabilities	<u>73,609,820</u>	<u>76,980,188</u>	-4.4%
Total liabilities	<u>87,132,999</u>	<u>90,406,530</u>	-3.6%
Net Assets			
Invested in capital assets, net of related debt	36,011,588	34,695,426	3.8%
Restricted	5,598,883	4,666,052	20.0%
Unrestricted	<u>18,572,563</u>	<u>10,477,110</u>	77.3%
Total net assets	<u>60,183,034</u>	<u>49,838,588</u>	20.8%
Total liabilities and net assets	<u>\$ 147,316,033</u>	<u>\$140,245,118</u>	5.0%

At June 30, 2004, the College's assets were approximately \$147.3 million. The College's current assets of \$29.4 million were sufficient to cover current liabilities of \$13.5 million. This represents a current ratio of 2.2. Current assets had a significant increase due in large part to the effect of the State's fourth quarter payment being delayed from the prior year into this year as explained on page 6. The effect of this delayed payment is also seen as it flows through the Statement of Net Assets and is reflected in the significant increase in Unrestricted Net Assets. Current assets consist primarily of cash and cash equivalents, receivables from property taxes, student accounts, and grants, plus bookstore inventory. The College's largest noncurrent asset is its investment in capital assets (land, buildings, machinery and equipment), net of accumulated depreciation, used to provide services to students. A \$52.1 million pension asset, created when the College paid a portion of its unfunded actuarial liability to PERS, is also included in noncurrent assets.

Current liabilities consisted primarily of payroll, interest and operating payables, plus the current portion (\$6,195,715) of current maturities of long-term obligations. Noncurrent liabilities consist of long-term debt relating to general obligation bonds, pension bonds, and other debt obligations.

Within Net Assets, the "invested in capital assets" amount of \$36,011,588 represents the total original cost of all of the College's land, buildings, machinery and equipment, and infrastructure, less total accumulated depreciation on these assets, and also less debt related to their acquisition. Restricted net assets consisted of amounts legally restricted for student financial aid grants and loans, debt service and grants and contracts.

The following graph shows the allocation of net assets for the College:



Analysis of The Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended June 30, 2004

The Statement of Revenues, Expenses and Changes in Net Assets presents the College's operating results, as well as its nonoperating revenues and expenses, and reconciles the changes in Net Assets (discussed above). State appropriations and property taxes, while budgeted for operations, must be classified in the statement as non-operating revenues. In summary form the year's results were:

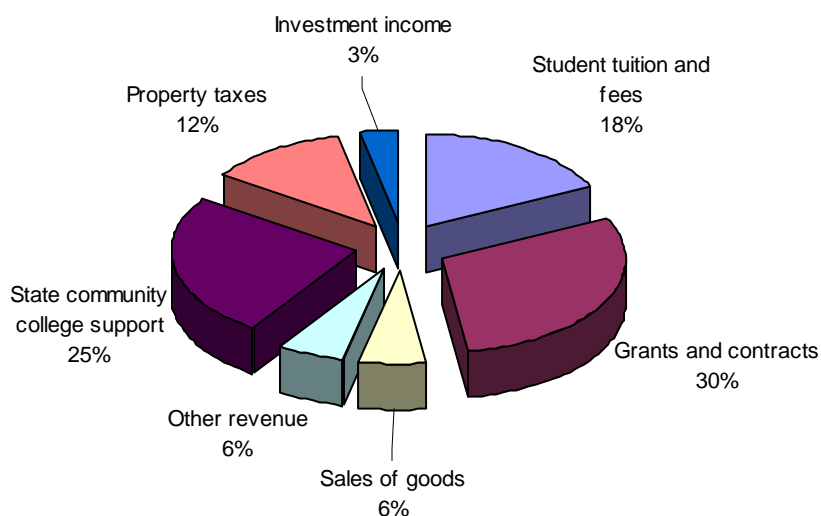
	2004	2003	%
Total operating revenues	\$81,047,539	\$72,088,504	12.4%
Total operating expenses	121,079,254	115,747,722	4.6%
Operating loss	(40,031,715)	(43,659,218)	8.3%
Net nonoperating revenues	50,376,161	34,310,999	46.8%
Capital contributions	-	43,992	-100.0%
Total increase/(decrease) in net assets	10,344,446	(9,304,227)	211.2%
Net assets, beginning of year	49,838,588	59,142,815	-15.7%
Net assets, end of year	<u>\$60,183,034</u>	<u>\$49,838,588</u>	20.8%

Revenues:

The largest sources of operating revenue for the College are: tuition and fees, financial aid, auxiliary enterprise activities, and grants and contracts. Tuition and fees increased for the year by 16%, to \$24,271,741, due to the tuition rate increase of \$14 per credit hour. State, Federal and other financial aid, and grants and contracts totaled \$40,861,592. Auxiliary enterprise activities are College operations that provide goods and services to students, faculty, staff or the general public, and charge fees directly related to the cost of these goods and services. They include the Bookstore, Foodservices, the Laundry and the Center for Meeting and Learning, and are intended to be self-supporting. Auxiliary enterprises generated \$7,909,354 of revenue for the year.

Appropriations from the State of Oregon constitutes the largest share of nonoperating revenue. The College received \$33,953,152 in state aid in this fiscal year, which represented a 72.8% increase from the prior year. The reason for this stems from the 2003 session, in which the Oregon Legislature acted to defer their fourth quarterly payment from April until July 2003. This reduced the College's revenue by \$7,648,410 in the prior year and increased revenue in this year by the same amount. The College directly received additional nonoperating revenues of \$16,672,694 from property tax levies.

The following graph shows the percentage source of revenue:

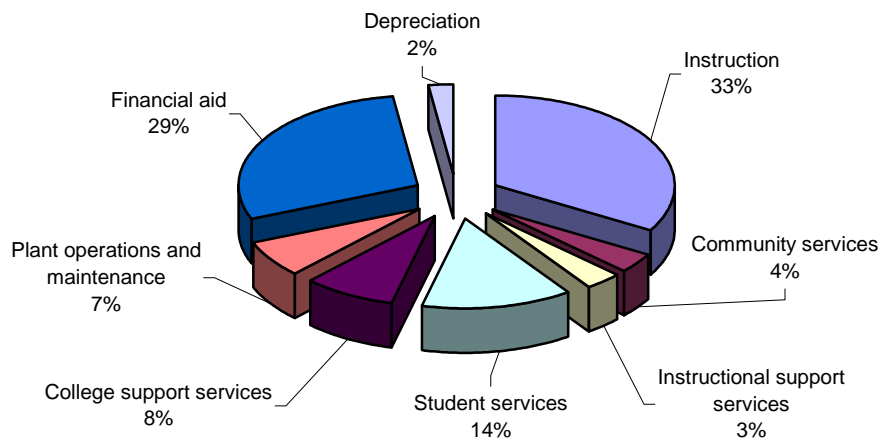


Expenses:

The College expended \$121,079,254 on salaries and benefits, materials and services, utilities, scholarships and depreciation. Instructional expenses represent the largest percentage of total expenses at 33.4%, or \$40,388,797, and include all three campuses, contracted trainings and open-entry programs. Instructional support services represent 3.3% of total expenses, or \$4,021,474.

The largest nonoperating expense was interest paid on debt related to capital improvements and debt related to prepayment of the College's PERS unfunded actuarial liability. Interest expense amounted to \$4,541,056.

The following graph shows the percentage allocation of operating expenses for the College:



**Analysis of the Statement of Cash Flows
For the Year Ended June 30, 2004**

This statement provides a measurement of the College's financial health by supplying information about cash receipts and cash payments during the year. It also assists users in assessing the College's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing. This statement is reported on the direct method, which portrays net cash flows from operations as major classes of operating receipts (e.g. tuition and fees) and payments (e.g. cash paid to employees). GASB Statements 34 and 35 require the use of this method for reporting cash flows. In summary form the cash flows for the year were:

	<u>2004</u>	<u>2003</u>	<u>% change</u>
Cash Provided by (Used In)			
Operating Activities	\$(34,767,752)	\$(39,528,014)	12.0%
Noncapital Financing Activities	50,731,390	35,938,305	41.2%
Capital Financing Activities	(8,733,153)	(9,163,573)	4.7%
Investing Activities	811,583	12,649,965	-93.6%
Net increase (decrease) in cash	8,042,068	(103,317)	7,783.9%
Cash - Beginning of year	<u>12,916,629</u>	<u>13,019,946</u>	-0.8%
Cash - End of year	<u>\$ 20,958,697</u>	<u>\$ 12,916,629</u>	62.3%

The largest sources of cash from operating activities were student tuition and fees, federal student financial aid, auxiliary enterprises and grants and contracts. Major uses of cash were payments made to employees, vendors, and student financial aid.

State aid and property taxes are the primary sources of noncapital financing cash. GASB Statements 34 and 35 require the College to report these sources as nonoperating even though the College's budget depends on these sources to continue to provide our current level of educational offerings. Both noncapital financing activities and net increase in cash had significant increases due in large part to the effect of the State's fourth quarter payment being delayed for the prior year into this year as explained below.

Cash payments for the acquisition of capital assets and principal and interest payments on long-term debt are the primary uses of capital financing cash.

Interest on investments and increase in investments with original maturities greater than three months provided most of the cash from investing activities. The significant decrease in investing activities was the result of changes in investments with original maturities greater than three months.

General Fund Budgetary Highlights

The College adopts its annual budget at the fund level. The budget is adopted on the modified accrual basis of accounting for governmental funds and on the accrual basis for proprietary funds. All differences between the original budget and the final amended budget arose from relatively minor changes in operating requirements. For more detailed information, please refer to the budgetary statements appearing as Supplemental Information in the Financial Section of this report.

Delayed State Aid Payment:

During its 2003 session, the Oregon State Legislature approved a delay of the fourth quarterly payment (April 15) of State aid to community colleges. Consequently, the College did not receive this payment of \$7,648,410 until July 15, 2003, after the beginning of this fiscal year. Generally accepted accounting principles require that this delayed payment not be reported as revenue during fiscal year 2002-2003. The College has reported this revenue during this fiscal year 2003-2004.

Capital Asset and Debt Administration

Capital Assets:

The College's investment in capital assets at June 30, 2004 amounts to \$59.3 million, net of accumulated depreciation. Investment in capital assets includes land, buildings, machinery and equipment, library collections and infrastructure.

Debt:

At June 30, 2004 the College had total long-term obligations outstanding of \$79,805,535. Additional information pertaining to the College's long-term obligations is located in the notes to these financial statements.

Economic Factors and Next Year's Budget

Some of the factors that will financially affect the College during fiscal year 2004-2005 include:

- Lane has budgeted normal increases in employee compensation and benefits in 2004-2005. Financial projections show this as a stable year with no staff reductions due to budgetary constraints.
- Increased tuition rates: In 2004 the Board approved a \$1.50 per credit inflationary adjustment to tuition for fiscal year 2005.
- Continuing pension unfunded actuarial liability: Legislative changes to PERS are now being challenged in the courts. The financial impact of a final court decision cannot be determined at this time, but could be substantial.

Contacting the College's Financial Management

This financial report is designed to provide our stakeholders, taxpayers and creditors with a general overview of the College's finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to:

College Finance
Lane Community College
4000 E. 30th Avenue
Eugene, OR 97405

BASIC FINANCIAL STATEMENTS

LANE COMMUNITY COLLEGE
Statement of Net Assets
June 30, 2004

<u>Assets</u>	<u>College</u>	<u>Foundation (Component Unit)</u>
Current assets:		
Cash and cash equivalents	\$ 20,958,697	\$ 840,496
Investments		6,048,399
Receivables, net:		
Property taxes	1,101,585	
Accounts	5,305,883	123,325
Loans and notes, current portion	750,000	58,939
Accrued interest		30,026
Prepayments	442,855	4,678
Inventories	812,719	
	29,371,739	7,105,863
Total current assets		
Noncurrent assets:		
Receivables, net	2,811,462	622,370
Pension asset	52,123,331	
Net pension obligation	3,049,678	
Deferred charges	619,465	
Investment in property, annuity trust		787,200
Capital assets:		
Land	1,152,260	
Buildings and improvements	77,560,016	
Furniture and equipment	8,916,192	24,772
Library books	3,695,344	
Less accumulated depreciation	(31,983,454)	(21,119)
Total noncurrent assets	117,944,294	1,413,223
Total assets	147,316,033	8,519,086

LANE COMMUNITY COLLEGE
Statement of Net Assets, Continued
June 30, 2004

<u>Liabilities</u>	<u>College</u>	<u>Foundation (Component Unit)</u>
Current liabilities:		
Accounts payable	2,553,576	22,766
Accrued liabilities	2,988,047	
Accrued interest payable	152,649	
Due to others	4,439	
Unearned revenue	1,628,753	31,378
Current maturities of long-term obligations	6,195,715	
	13,523,179	54,144
Noncurrent liabilities:		
Long-term obligations, net of current maturities:		
General obligation bonds payable	19,400,000	
Pension bonds payable	52,204,820	
Debt obligations payable	2,005,000	
Obligations under split-interest agreements		655,576
	73,609,820	655,576
Total noncurrent liabilities	73,609,820	655,576
Total liabilities	87,132,999	709,720
<u>Net Assets</u>		
Invested in capital assets, net of related debt	36,011,588	3,653
Restricted for debt service	1,335,129	
Restricted for student financial aid	4,091,639	
Restricted for grants and contracts	172,115	
Restricted for permanent endowment		4,488,709
Restricted for temporary endowment and scholarships		3,006,703
	5,598,883	7,495,412
Total restricted net assets	5,598,883	7,495,412
Unrestricted	18,572,563	310,301
	18,572,563	310,301
Total net assets	\$ 60,183,034	\$ 7,809,366

The accompanying notes are an integral part of this statement.

LANE COMMUNITY COLLEGE

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2004

	College	Foundation (Component Unit)
Operating revenues:		
Student tuition and fees	\$ 24,271,741	\$ -
Grants and contracts	40,861,592	-
Sales of goods and services	7,909,354	-
Other operating revenue	8,004,852	3,164,597
Total operating revenues	81,047,539	3,164,597
Operating expenses:		
Instruction	40,388,797	-
Community services	4,341,655	-
Instructional support services	4,021,474	-
Student services	16,501,475	-
College support services	9,967,619	-
Plant operations and maintenance	8,200,617	-
Financial aid	34,984,430	-
Foundation programs	-	1,689,002
Depreciation	2,673,187	2,307
Total operating expenses	121,079,254	1,691,309
Operating income-(loss)	(40,031,715)	1,473,288
Nonoperating revenues-(expenses):		
State community college support	33,953,152	-
Property taxes	16,672,694	-
Investment income	4,512,905	465,848
Interest expense	(4,541,056)	-
Loss on disposition of capital assets	(221,534)	-
Total nonoperating revenues-(expenses)	50,376,161	465,848
Change in net assets	10,344,446	1,939,136
Net assets - July 1, 2003	49,838,588	5,870,230
Net assets - June 30, 2004	\$ 60,183,034	\$ 7,809,366

The accompanying notes are an integral part of this statement.

LANE COMMUNITY COLLEGE

Statement of Cash Flows
Year Ended June 30, 2004

	College	Foundation (Component Unit)
Cash flows from operating activities:		
Tuition and fees	\$ 23,923,669	\$ -
Grants and contracts	41,119,936	-
Sales of goods and services	7,828,032	-
Other cash receipts	7,758,969	2,948,561
Payments to employees for services	(60,804,324)	(375,988)
Payments to suppliers for goods and services	(19,433,707)	(1,337,946)
Payments for student scholarships and grants	(35,160,327)	-
Net cash provided by-(used in) operating activities	(34,767,752)	1,234,627
Cash flows from noncapital financing activities:		
Cash received from State community college support	33,953,152	-
Cash received from property taxes	16,778,238	-
Net cash provided by noncapital financing activities	50,731,390	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,284,348)	-
Proceeds from sale of capital assets	24,121	-
Principal paid on long term debt	(4,160,000)	-
Interest paid on long term debt	(3,312,926)	-
Net cash used in capital and related financing activities	(8,733,153)	-
Cash flows from investing activities:		
Increase-(decrease) in investments with original maturities greater than three months	420,119	(2,090,506)
Interest on investments	391,464	448,276
Net cash provided by-(used in) investing activities	811,583	(1,642,230)
Net increase-(decrease) in cash and cash equivalents	8,042,068	(407,603)
Cash and cash equivalents - July 1, 2003	12,916,629	1,248,099
Cash and cash equivalents - June 30, 2004	\$ 20,958,697	\$ 840,496
Reconciliation of operating income-(loss) to net cash provided by-(used in) operating activities:		
Operating income-(loss)	\$ (40,031,715)	\$ 1,473,288
Adjustments to reconcile operating income-(loss) to net cash provided by-(used) in operating activities:		
Depreciation	2,673,187	2,307
Amortization	3,182,516	-
Decrease-(increase) in:		
Accounts receivable	61,451	(256,255)
Loans and notes receivable	(166,615)	8,841
Inventories	(139,990)	-
Prepaid expenses	(442,855)	(3,118)
Net pension obligation	437,930	-
Increase-(decrease) in:		
Accounts payable	(221,041)	17,183
Accrued liabilities	137,946	-
Vacation payable	158,916	-
Obligations under split-interest agreements	-	(38,997)
Due to others	(105,713)	-
Unearned revenue	(311,769)	31,378
Total adjustments	5,263,963	(238,661)
Net cash provided by-(used in) operating activities	\$ (34,767,752)	\$ 1,234,627
Noncash capital and related financing activities:		
Disposition of capital assets	\$ 245,655	\$ -
Loss on disposition of capital assets	(245,655)	-
Total noncash capital and related financing activities	\$ -	\$ -

The accompanying notes are an integral part of this statement.

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Lane Community College have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis for Public Colleges and Universities*. The College follows the “business-type activities” reporting requirements of GASB Statement Nos. 34 and 35.

(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 present the College and its component unit, Lane Community College Foundation, for which the College is considered to be financially accountable. The Foundation is a discretely presented component unit and is reported in a separate column in the basic financial statements.

The Foundation is a legally separate, tax-exempt entity and acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of Directors of the Foundation is self-perpetuating. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation reports as a not-for-profit organization under Financial Accounting Standards Board (FASB) standards. As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2004, the Foundation provided scholarships of \$298,079 for the benefit of the College. The College provided personnel and administrative contributions to the Foundation totaling \$283,360 during the year. Complete financial statements for the Foundation can be obtained at: 4000 East 30th Avenue, Eugene, Oregon 97405-0640.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(C) Basis of Accounting

The basic financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the years in which they are levied. Grants and other similar types of revenue are recognized as soon as all eligibility requirements imposed by the grantor have been met.

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.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's ongoing operations. The principal operating revenues of the College are charges to students for tuition and fees, grants and contracts for specific operating activities of the College and sales of goods and services. Operating expenses include the cost of faculty, administration and support expenses, enterprise operations and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(D) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(E) Investments

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. For purposes of the statement of cash flows, cash, demand deposits, the State of Oregon Local Government Investment Pool and short-term investments purchased with original maturities of three months or less are considered to be cash and cash equivalents.

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(E) Investments (Contd)

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.

(F) Property Taxes Receivable

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 amounts due are received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected taxes, including delinquent amounts, are considered substantially collectable or recoverable through liens. Property taxes are recognized as revenues when levied.

(G) Accounts, Grants and Loans Receivable

Unreimbursed grant expenditures due from grantor agencies are recorded in the financial statements as receivables and revenues. Cash received from grantor agencies in excess of related grant expenditures is recorded as unearned revenue.

Loans receivable consist primarily of student financial aid loans made with federal funds.

Accounts receivable and loans receivable are shown net of an allowance for uncollectible amounts.

(H) Inventories

Inventories, primarily books and supplies, are carried at the lower of cost (first-in, first-out method) or market, and are charged to expense as sold or used.

(I) Capital Assets

Capital assets include land, buildings and improvements, furniture and equipment and library books. The College's capitalization threshold is \$5,000 for all capital assets except library books. Library books are capitalized regardless of cost. Donated assets are recorded at their fair market value on the date donated. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add value or functionality to the asset are not capitalized, but are expensed as incurred.

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(I) Capital Assets (Contd)

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 to 50
Furniture and equipment	5 to 25
Library books	10

(J) Compensated Absences

Vacation payable is recorded as a liability and an expense when earned by employees. Sick pay, which does not vest, is recorded when leave is taken.

(K) Leases

Leases which meet certain criteria established by the Financial Accounting Standards Board are classified as capital leases. Leases which do not meet criteria of a capital lease are classified as operating leases.

(L) Retirement Plans

Public Employees Retirement System

Substantially all of the College's employees are participants in the Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and charged to expense 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. Pension expense equal to the annual required contribution is recognized on the accrual basis.

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(L) Retirement Plans

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 is made from a pension trust fund which accumulates employer contributions. The employer contributions are based upon actuarially determined amounts. Pension expense equal to the annual required contribution is recognized on the accrual basis.

(M) Restricted Net Assets

Restricted net assets reported in the Statement of Net Assets represent amounts for which constraints were imposed by creditors, grantors, contributors or laws or regulations.

2 - CASH AND INVESTMENTS:

The College's cash and investments are comprised of the following at June 30, 2004:

Cash on hand	\$ 74,375
Cash with County Treasurer	3,106
Deposits with financial institutions	532,599
Investments	<u>29,229,412</u>
Total cash and investments	29,839,492
Less cash and investments in pension trust funds	<u>(8,880,795)</u>
Cash and investments, as reported in statement of net assets	<u><u>\$20,958,697</u></u>

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

2 - CASH AND INVESTMENTS: (Contd)

Deposits

The College's 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, 2004, is \$2,554,220. Of these deposits, \$310,134 was covered by federal depository insurance, \$2,239,153 was collateralized with certificates of participation and \$4,933 was not collateralized. 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, 2004. 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 uncollateralized 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.

At June 30, 2004, the College's investments were invested in the State Treasurer's Oregon Local Government Investment Pool (LGIP). The investment in the LGIP is an open-ended, no-load diversified portfolio created under Oregon Revised Statutes 294.805 to 294.895. The LGIP is administered by the State Treasurer and the Oregon Investment Council with the advice of the Oregon Short Term Board. The fair value of the College's position in the pool is the same as the value of the pool shares.

Foundation Cash and Investments

The Foundation's cash and cash equivalents consist of demand deposits with financial institutions. At June 30, 2004, \$77,074 of these cash balances were not covered by federal depository insurance.

The Foundation's investments consist of certificates of deposit, equity securities, U.S. Government and agency securities and corporate bonds. The investments are held in a pooled account managed by a professional fund manager. These investments are carried at fair value.

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

3 - CAPITAL ASSETS:

The College's capital assets activity for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 1,152,260	\$ -	\$ -	\$ 1,152,260
Capital assets being depreciated:				
Buildings and improvements	77,264,765	295,251	-	77,560,016
Furniture and equipment	9,749,484	822,532	1,655,824	8,916,192
Library books	3,528,779	166,565	-	3,695,344
Total capital assets being depreciated	90,543,028	1,284,348	1,655,824	90,171,552
Less accumulated depreciation for:				
Buildings and improvements	22,179,007	1,586,384	-	23,765,391
Furniture and equipment	5,860,095	932,576	1,410,169	5,382,502
Library books	2,681,334	154,227	-	2,835,561
Total accumulated depreciation	30,720,436	2,673,187	1,410,169	31,983,454
Total capital assets being depreciated, net	59,822,592	(1,388,839)	245,655	58,188,098
Total capital assets, net	<u>\$ 60,974,852</u>	<u>\$ (1,388,839)</u>	<u>\$ 245,655</u>	<u>\$ 59,340,358</u>

4 - LONG-TERM OBLIGATIONS:

Changes in the College's long-term obligations for the year ended June 30, 2004 are as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due Within One Year	Interest Paid
Vacation payable	\$ 1,161,799	\$ 1,320,715	\$ 1,161,799	\$ 1,320,715	\$ 1,320,715	\$ -
Bonds payable	26,640,000	-	3,440,000	23,200,000	3,800,000	1,373,678
Debt obligations payable	2,690,000	-	340,000	2,350,000	345,000	125,389
Pension bonds payable	51,803,948	1,510,872	380,000	52,934,820	730,000	1,813,859
Total	<u>\$ 82,295,747</u>	<u>\$ 2,831,587</u>	<u>\$ 5,321,799</u>	<u>\$ 79,805,535</u>	<u>\$ 6,195,715</u>	<u>\$ 3,312,926</u>

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

4 - LONG-TERM OBLIGATIONS: (Contd)

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>5,545,000</u>	<u>277,250</u>	<u>5,822,250</u>
Total	<u>\$23,200,000</u>	<u>\$ 3,758,410</u>	<u>\$26,958,410</u>

Debt Obligations Payable

The College has outstanding at June 30, 2004, the Full Faith and Credit Debt Obligations, Series 1992, in the amount of \$270,000. These obligations are due serially, with an interest rate of 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004-05	\$ 85,000	\$ 16,605	\$ 101,605
2005-06	90,000	11,376	101,376
2006-07	<u>95,000</u>	<u>5,843</u>	<u>100,843</u>
Total	<u>\$ 270,000</u>	<u>\$ 33,824</u>	<u>\$ 303,824</u>

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:

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

4 - LONG-TERM OBLIGATIONS: (Contd)

Debt Obligations Payable (Contd)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>260,000</u>	<u>6,110</u>	<u>266,110</u>
Total	<u>\$ 2,080,000</u>	<u>\$ 391,040</u>	<u>\$ 2,471,040</u>

Pension Bonds Payable

In April 2003, the College issued \$51,803,948 of Limited Tax Pension Obligation Bonds and transferred the net proceeds to the State of Oregon Public Employees Retirement System to cover a portion of the College's share of the cost sharing plan's unfunded actuarial liability. The resulting pension asset will be used to pay a portion of the College's annual required contribution. Principal payments are due annually through June 30, 2028 and interest is payable in December and June of each year with rates ranging from 1.40% to 6.25%. Future pension bonds requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004-05	\$ 730,000	\$ 1,529,250	\$ 2,259,250
2005-06	1,115,000	1,529,250	2,644,250
2006-07	1,265,000	1,529,250	2,794,250
2007-08	1,420,000	1,529,250	2,949,250
2008-09	1,580,000	1,529,250	3,109,250
2009-10	1,750,000	1,529,250	3,279,250
2010-11	1,925,000	1,529,250	3,454,250
2011-12	2,105,000	1,529,250	3,634,250
2012-13	2,295,000	1,529,250	3,824,250
2013-14	2,495,000	1,529,250	4,024,250
2014-15	2,700,000	1,529,250	4,229,250
2015-16	2,915,000	1,529,250	4,444,250
2016-17	3,140,000	1,529,250	4,669,250
2017-18	3,375,000	1,529,250	4,904,250
2018-19	3,620,000	1,529,250	5,149,250
2019-20	3,875,000	1,529,250	5,404,250
2020-21	4,140,000	1,529,250	5,669,250
2021-22	4,420,000	1,529,250	5,949,250
2022-23	4,705,000	1,529,250	6,234,250
2023-24	5,010,000	1,529,250	6,539,250
2024-25	5,605,000	1,245,684	6,850,684
2025-26	6,250,000	927,880	7,177,880
2026-27	6,945,000	572,880	7,517,880
2027-28	<u>3,285,000</u>	<u>183,960</u>	<u>3,468,960</u>
Total	76,665,000	<u>\$ 33,515,404</u>	<u>\$ 110,180,404</u>
Less deferred interest	<u>(23,730,180)</u>		
Carrying amount	<u>\$ 52,934,820</u>		

4 - LONG-TERM OBLIGATIONS: (Contd)

Foundation Obligations under Split-Interest Agreements

The Foundation's obligations under split-interest agreements are recorded when incurred at the present value of the distributions to be made to the donor-designated beneficiaries. Distributions are paid over the lives of the beneficiaries or another specified period. Present values are determined using discount rates established by the Internal Revenue Service and actuarially determined expected lives. Obligations under the split-interest agreements are revalued annually at June 30 to reflect actual experience, but the discount rate is not changed. The net revaluations, together with any remaining recorded obligations after all trust obligations under terminated agreements have been met, are recorded as increases/decreases in contributions in the statement of activities. The net revaluation of split-interest agreements at June 30, 2004 was \$38,997.

5 - RETIREMENT PLANS:

STATE OF OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM:

Plan Description

The College participates in the State of Oregon Public Employees 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 Employees 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 Employees 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 Employees 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 College's rate for Tier 1 and Tier 2 employees was 2.41% of annual covered salary during 2003-04. Beginning in May 2004, the College began contributing at a rate of 8.04% for Oregon Public Service Retirement Plan member employees. The contribution requirements of plan members and the College are established and may be amended by the Public Employees Retirement Board. The College's contributions to PERS for the years ending June 30, 2004, 2003 and 2002, totaled \$862,710, \$3,195,441 and \$3,884,593, respectively, equal to the required contributions.

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

5 - RETIREMENT PLANS: (Contd)

STATE OF OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM:

Pension Asset

The pension asset is the result of the transfer of the College's pension bond proceeds to PERS to cover a portion of the College's share of the cost sharing plan's unfunded actuarial liability. This pension asset is being used to pay a portion of the College's annual required contribution. During the 2003-04 fiscal year, changes in the pension asset were as follows:

Balance - July 1, 2003	\$ 51,154,369
Investment income	4,125,666
Contributions to cost sharing plan	<u>(3,156,704)</u>
Balance - June 30, 2004	<u>\$ 52,123,331</u>

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.

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.

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, 2004, are as follows:

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

5 - RETIREMENT PLANS: (Contd)

EARLY RETIREMENT PLAN: (CONTD)

Annual required contribution	\$ 74,801
Interest on net pension obligation	(77,359)
Adjustment to annual required contribution	<u>305,919</u>
Annual pension cost	303,361
Contribution made	<u>(74,801)</u>
Increase-(decrease) in net pension obligation	228,560
Net pension obligation - July 1, 2003	<u>(1,820,217)</u>
Net pension obligation - June 30, 2004	<u><u>\$(1,591,657)</u></u>

The annual required contribution for the year was determined as part of the June 30, 2003 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 4.25% compounded annually, and (b) 4.25% salary increases per annum for management employees, reflecting both inflation and seniority/merit adjustments.

Three-Year Trend Information

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6-30-04	\$ 303,361	25%	\$ (1,591,657)
6-30-03	\$ 76,883	0%	\$ (1,820,217)
6-30-02	\$ 84,636	0%	\$ (1,897,100)

POST-RETIREMENT BENEFITS PLAN:

Plan Description

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.

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

5 - 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, 2004, are as follows:

Annual required contribution	\$ 766,823
Interest on net pension obligation	(70,864)
Adjustment to annual required contribution	<u>280,234</u>
Annual pension cost	976,193
Contribution made	<u>(766,823)</u>
Increase-(decrease) in net pension obligation	209,370
Net pension obligation - July 1, 2003	<u>(1,667,391)</u>
Net pension obligation - June 30, 2004	<u><u>\$(1,458,021)</u></u>

The annual required contribution for the year was determined as part of the June 30, 2003 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 4.25% compounded annually, and (b) annual rate of increase in medical care costs of 15%, decreasing to 5% after 8 years.

Three-Year Trend Information

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6-30-04	\$ 976,193	79%	\$ (1,458,021)
6-30-03	\$ 948,687	83%	\$ (1,667,391)
6-30-02	\$ 965,058	81%	\$ (1,832,607)

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

5 - RETIREMENT PLANS: (Contd)

PENSION TRUST FUND STATEMENTS:

Information regarding the pension trust funds, which are not included in the basic financial statements, is detailed, as of and for the year ended June 30, 2003, in the following table:

	Early Retirement Plan	Post-Retirement Benefits Plan	Total
Statement of Plan Net Assets:			
Assets:			
Cash and investments	<u>\$ 2,358,870</u>	<u>\$ 6,521,925</u>	<u>\$ 8,880,795</u>
Net assets:			
Reserved for employee benefits	<u>\$ 2,358,870</u>	<u>\$ 6,521,925</u>	<u>\$ 8,880,795</u>
Statement of Changes in Plan Net Assets:			
Additions:			
Employer contributions	\$ 74,801	\$ 766,823	\$ 841,624
Interest income	<u>32,922</u>	<u>88,084</u>	<u>121,006</u>
Total additions	107,723	854,907	962,630
Deductions:			
Benefits	<u>609,107</u>	<u>880,241</u>	<u>1,489,348</u>
Change in net assets	(501,384)	(25,334)	(526,718)
Net assets - beginning	<u>2,860,254</u>	<u>6,547,259</u>	<u>9,407,513</u>
Net assets - ending	<u>\$ 2,358,870</u>	<u>\$ 6,521,925</u>	<u>\$ 8,880,795</u>

6 - 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.

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

7 - 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.

8 – BUDGET:

The College budgets all College funds required to be budgeted in accordance with the Oregon Local Budget Law on a Non-GAAP budgetary basis. The College follows these procedures in establishing its budget:

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.
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, 2004, the Board adopted a supplemental budget and approved transfer resolutions as allowed by state law.

LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

8 – BUDGET: (Contd)

During the 2003-04 fiscal year, the College overexpended appropriations in the following funds:

Administratively Restricted Fund - instruction	\$ 387,895
Special Revenue Fund – college support services	100,000
Financial Aid Fund – financial aid	676,174
Capital Projects Fund – transfers out	25,208

OTHER SUPPLEMENTARY INFORMATION
Description of Budgeted College Funds

Other supplementary information consists of schedules required by the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual are presented on a Non GAAP budgetary basis for each College fund required to be budgeted in accordance with the Oregon Local Budget Law.

The level of control established by the College's appropriation resolution is by program (i.e. Instruction, Community Services, Instructional Support Services, Student Services, etc.).

Budgeted College funds are as follows:

General Fund - Accounts for all resources traditionally associated with operating the College which are not required legally or by sound financial management to be accounted for in another fund.

Administratively Restricted Fund - Accounts for specific programs where funds are administratively restricted. Activities recorded in this fund generate revenue primarily through specifically assessed tuition and fees or through other revenue-generating activities.

Special Revenue Fund - Accounts for projects funded from federal, state, and local grant funds.

Student Financial Aid Fund - Accounts for federal, state, and local student loan and grant programs associated with student financial aid.

Debt Service Fund - Accounts for the funds collected to pay the debt service requirements on bonds, debt obligations and pension bonds payable.

Capital Projects Fund - Accounts for improvements to the physical plant of the College and major equipment additions.

Enterprise Fund - Accounts for the operation of the College's bookstore, food service, student health service, laundry, performance season, ASLCC Childcare Co-op, and ASLCC Student Body Fees.

Internal Service Fund - Accounts for goods and services provided on a cost-reimbursement basis to various departments within the College. Programs and activities include warehouse, printing and graphics, coast property, telephone services, motor pool and electronics CPU-LTD.

Beginning fund balances for the General Fund, Administratively Restricted Fund and Enterprise Fund have been restated to reflect certain interfund amounts that were not recorded in the 2002-03 fiscal year. These restatements did not change the College's overall fund balance.

LANE COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
GENERAL FUND
Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 25,890,004	\$ 33,953,152	\$ 8,063,148
Property taxes	11,881,792	11,725,008	(156,784)
Tuition and fees:			
Tuition	19,795,882	17,531,043	(2,264,839)
Instruction fees	2,505,283	1,224,081	(1,281,202)
Other sources:			
Sales of goods and services	715,042	432,202	(282,840)
Interest income	407,783	146,837	(260,946)
Fees	1,465,475	1,347,252	(118,223)
Other	1,480,874	1,557,718	76,844
Total revenues	64,142,135	67,917,293	3,775,158
Expenditures:			
Instruction:			
Personal services	29,000,000	27,379,044	1,620,956
Materials and services	4,516,496	2,087,150	2,429,346
Capital outlay	6,442	53,544	(47,102)
Total instruction	33,522,938	29,519,738	4,003,200
Instructional support services:			
Personal services	3,694,417	3,176,859	517,558
Materials and services	1,050,000	409,947	640,053
Capital outlay	200,000	137,272	62,728
Total instructional support services	4,944,417	3,724,078	1,220,339
Student services:			
Personal services	6,340,700	6,327,282	13,418
Materials and services	1,150,417	656,074	494,343
Total student services	7,491,117	6,983,356	507,761
College support services:			
Personal services	6,950,000	6,351,867	598,133
Materials and services	3,300,000	3,123,020	176,980
Capital outlay	125,000	123,121	1,879
Total college support services	10,375,000	9,598,008	776,992

LANE COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
GENERAL FUND
Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures: (Contd)			
Plant operations and maintenance:			
Personal services	\$ 3,010,000	\$ 3,003,466	\$ 6,534
Materials and services	2,413,979	2,114,176	299,803
Capital outlay	<u>150,000</u>	<u>118,175</u>	<u>31,825</u>
Total plant operations and maintenance	<u>5,573,979</u>	<u>5,235,817</u>	<u>338,162</u>
Reserves:			
Contingency	<u>4,617,121</u>	<u>-</u>	<u>4,617,121</u>
Total expenditures	<u>66,524,572</u>	<u>55,060,997</u>	<u>11,463,575</u>
Revenues over-(under) expenditures	<u>(2,382,437)</u>	<u>12,856,296</u>	<u>15,238,733</u>
Other financing sources-(uses):			
Transfers in	831,664	44,950	(786,714)
Transfers out	<u>(4,500,000)</u>	<u>(4,328,366)</u>	<u>171,634</u>
Total other financing sources-(uses)	<u>(3,668,336)</u>	<u>(4,283,416)</u>	<u>(615,080)</u>
Revenues over-(under) expenditures and other financing sources-(uses)	<u>(6,050,773)</u>	<u>8,572,880</u>	<u>14,623,653</u>
Fund balance, as restated - July 1, 2003	<u>6,050,773</u>	<u>(91,915)</u>	<u>(6,142,688)</u>
Fund balance - June 30, 2004	<u>\$ -</u>	<u>\$ 8,480,965</u>	<u>\$ 8,480,965</u>

LANE COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
ADMINISTRATIVELY RESTRICTED FUND
Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Tuition and fees:			
Tuition	\$ 3,002,456	\$ 3,045,770	\$ 43,314
Instruction fees	1,657,400	1,521,342	(136,058)
Other sources:			
Sales of goods and services	1,094,547	795,600	(298,947)
Interest income	12,000	5,072	(6,928)
Other	5,494,104	3,649,168	(1,844,936)
Total revenues	<u>11,260,507</u>	<u>9,016,952</u>	<u>(2,243,555)</u>
Expenditures:			
Instruction:			
Personal services	4,200,000	4,632,813	(432,813)
Materials and services	1,100,000	1,055,082	44,918
Total instruction	<u>5,300,000</u>	<u>5,687,895</u>	<u>(387,895)</u>
Community services:			
Personal services	1,486,500	845,283	641,217
Materials and services	575,000	381,005	193,995
Capital outlay	975,000	2,225	972,775
Total community services	<u>3,036,500</u>	<u>1,228,513</u>	<u>1,807,987</u>
Instructional support services:			
Personal services	450,000	93,430	356,570
Materials and services	225,000	209,219	15,781
Capital outlay	75,000	71,535	3,465
Total instructional support services	<u>750,000</u>	<u>374,184</u>	<u>375,816</u>
Student services:			
Personal services	585,000	439,407	145,593
Materials and services	250,000	242,443	7,557
Total student services	<u>835,000</u>	<u>681,850</u>	<u>153,150</u>
College support services:			
Materials and services	1,651,000	51,215	1,599,785
Total expenditures	<u>11,572,500</u>	<u>8,023,657</u>	<u>3,548,843</u>

LANE COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
ADMINISTRATIVELY RESTRICTED FUND
Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues over-(under) expenditures	\$ (311,993)	\$ 993,295	\$ 1,305,288
Other financing sources-(uses):			
Transfers in	1,485,521	1,157,571	(327,950)
Transfers out	(1,643,168)	(248,000)	1,395,168
Total other financing sources-(uses)	(157,647)	909,571	1,067,218
Revenues over-(under) expenditures and other financing sources-(uses)	(469,640)	1,902,866	2,372,506
Fund balance, as restated - July 1, 2003	469,640	817,911	348,271
Fund balance - June 30, 2004	\$ -	\$ 2,720,777	\$ 2,720,777

LANE COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
SPECIAL REVENUE FUND
Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 10,434,576	\$ 7,078,203	\$(3,356,373)
Tuition and fees	125,000	106,768	(18,232)
Other sources:			
Grants and contracts	795,000	357,397	(437,603)
Other	190,000	61,683	(128,317)
Total revenues	<u>11,544,576</u>	<u>7,604,051</u>	<u>(3,940,525)</u>
Expenditures:			
Instruction:			
Personal services	2,800,000	2,751,961	48,039
Materials and services	2,800,000	1,267,438	1,532,562
Capital outlay	200,000	188,743	11,257
Total instruction	<u>5,800,000</u>	<u>4,208,142</u>	<u>1,591,858</u>
Community services:			
Personal services	1,000,000	693,790	306,210
Materials and services	4,150,000	2,366,545	1,783,455
Capital outlay	50,000	-	50,000
Total community services	<u>5,200,000</u>	<u>3,060,335</u>	<u>2,139,665</u>
Instructional support services:			
Materials and services	125,000	-	125,000
Student services:			
Personal services	300,000	213,244	86,756
Materials and services	50,000	39,723	10,277
Total student services	<u>350,000</u>	<u>252,967</u>	<u>97,033</u>
College support services:			
Materials and services	-	100,000	(100,000)
Plant additions:			
Materials and services	75,000	-	75,000

LANE COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
SPECIAL REVENUE FUND
Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures: (Contd)			
Reserves:			
Contingency	\$ 7,841,750	\$ -	\$ 7,841,750
Total expenditures	<u>19,391,750</u>	<u>7,621,444</u>	<u>11,770,306</u>
Revenues over-(under) expenditures	(7,847,174)	(17,393)	7,829,781
Other financing sources-(uses):			
Transfers in	9,424	9,424	-
Transfers out	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>
Total other financing sources-(uses)	<u>5,424</u>	<u>9,424</u>	<u>4,000</u>
Revenues over-(under) expenditures and other financing sources-(uses)	(7,841,750)	(7,969)	7,833,781
Fund balance - July 1, 2003	<u>7,841,750</u>	<u>180,084</u>	<u>(7,661,666)</u>
Fund balance - June 30, 2004	<u>\$ -</u>	<u>\$ 172,115</u>	<u>\$ 172,115</u>

LANE COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
STUDENT FINANCIAL AID FUND
Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 33,750,000	\$ 33,783,389	\$ 33,389
Other sources:			
Interest income	69,000	68,083	(917)
Other	592,509	1,727,103	1,134,594
Total revenues	<u>34,411,509</u>	<u>35,578,575</u>	<u>1,167,066</u>
Expenditures:			
Student services:			
Personal services	295,449	285,867	9,582
Materials and services	20,000	19,390	610
Total student services	<u>315,449</u>	<u>305,257</u>	<u>10,192</u>
Financial aid:			
Personal services	584,000	583,680	320
Materials and services	34,732,060	35,408,554	(676,494)
Total financial aid	<u>35,316,060</u>	<u>35,992,234</u>	<u>(676,174)</u>
Total expenditures	<u>35,631,509</u>	<u>36,297,491</u>	<u>(665,982)</u>
Revenues over-(under) expenditures	<u>(1,220,000)</u>	<u>(718,916)</u>	<u>501,084</u>
Other financing sources-(uses):			
Transfers in	950,000	912,834	(37,166)
Transfers out	(175,000)	(50,000)	125,000
Total other financing sources-(uses)	<u>775,000</u>	<u>862,834</u>	<u>87,834</u>
Revenues over-(under) expenditures and other financing sources-(uses)	(445,000)	143,918	588,918
Fund balance - July 1, 2003	<u>445,000</u>	<u>388,776</u>	<u>(56,224)</u>
Fund balance - June 30, 2004	<u>\$ -</u>	<u>\$ 532,694</u>	<u>\$ 532,694</u>

LANE COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
DEBT SERVICE FUND
Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes	\$ 4,813,678	\$ 5,053,230	\$ 239,552
Other sources:			
Interest income	20	10,431	10,411
Other	2,195,960	2,315,479	119,519
Total revenues	7,009,658	7,379,140	369,482
Expenditures:			
Materials and services	3,550	(1,274)	4,824
Debt service:			
Principal	4,153,760	4,153,760	-
Interest	3,519,348	3,319,166	200,182
Total expenditures	7,676,658	7,471,652	205,006
Revenues over-(under) expenditures	(667,000)	(92,512)	574,488
Other financing sources-(uses):			
Transfers in	467,000	467,000	-
Total other financing sources-(uses)	467,000	467,000	-
Revenues over-(under) expenditures and other financing sources-(uses)	(200,000)	374,488	574,488
Fund balance - July 1, 2003	200,000	811,711	611,711
Fund balance - June 30, 2004	\$ -	\$ 1,186,199	\$ 1,186,199

LANE COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
CAPITAL PROJECTS FUND
Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Other sources:			
Interest income	\$ 300,000	\$ 156,816	\$ (143,184)
Other	4,147,100	351,498	(3,795,602)
Total revenues	4,447,100	508,314	(3,938,786)
Expenditures:			
College support services:			
Personal services	134,873	-	134,873
Capital outlay	4,012,352	-	4,012,352
Total college support services	4,147,225	-	4,147,225
Plant operations and maintenance:			
Materials and services	1,000	853	147
Capital outlay	323,489	-	323,489
Total plant operations and maintenance	324,489	853	323,636
Plant additions:			
Personal services	1,191,972	698,224	493,748
Materials and services	2,027,510	2,026,844	666
Capital outlay	13,286,970	572,167	12,714,803
Total plant additions	16,506,452	3,297,235	13,209,217
Total expenditures	20,978,166	3,298,088	17,680,078
Revenues over-(under) expenditures	(16,531,066)	(2,789,774)	13,741,292
Other financing sources-(uses):			
Transfers in	1,792,689	1,889,828	97,139
Transfers out	(865,000)	(890,208)	(25,208)
Total other financing sources-(uses)	927,689	999,620	71,931
Revenues over-(under) expenditures and other financing sources-(uses)	(15,603,377)	(1,790,154)	13,813,223
Fund balance - July 1, 2003	15,603,377	6,169,952	(9,433,425)
Fund balance - June 30, 2004	\$ -	\$ 4,379,798	\$ 4,379,798

LANE COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
ENTERPRISE FUND
Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Sale of goods and services	\$ 8,938,843	\$ 6,956,980	\$(1,981,863)
Student fees	1,000,000	918,464	(81,536)
Other sources	921,962	42,343	(879,619)
Total revenues	<u>10,860,805</u>	<u>7,917,787</u>	<u>(2,943,018)</u>
Expenditures:			
Instruction:			
Personal services	8,953	-	8,953
Materials and services	56,296	6,482	49,814
Total instruction	<u>65,249</u>	<u>6,482</u>	<u>58,767</u>
Student services:			
Personal services	2,900,000	2,707,696	192,304
Materials and services	7,817,323	5,775,331	2,041,992
Capital outlay	1,182,677	4,316	1,178,361
Total student services	<u>11,900,000</u>	<u>8,487,343</u>	<u>3,412,657</u>
College support services:			
Personal services	262,500	194,862	67,638
Materials and services	55,000	31,557	23,443
Capital outlay	7,500	7,470	30
Total college support services	<u>325,000</u>	<u>233,889</u>	<u>91,111</u>
Reserves:			
Contingency	39,208	-	39,208
Total expenditures	<u>12,329,457</u>	<u>8,727,714</u>	<u>3,601,743</u>
Revenues over-(under) expenditures	<u>(1,468,652)</u>	<u>(809,927)</u>	<u>658,725</u>
Other financing sources-(uses):			
Transfers in	1,097,227	841,840	(255,387)
Transfers out	(574,208)	(72,023)	502,185
Total other financing sources-(uses)	<u>523,019</u>	<u>769,817</u>	<u>246,798</u>
Revenues over-(under) expenditures and other financing sources-(uses)	<u>(945,633)</u>	<u>(40,110)</u>	<u>905,523</u>
Fund balance, as restated - July 1, 2003	<u>945,633</u>	<u>2,430,464</u>	<u>1,484,831</u>
Fund balance - June 30, 2004	<u>\$ -</u>	<u>\$ 2,390,354</u>	<u>\$ 2,390,354</u>

LANE COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
INTERNAL SERVICE FUND
Year Ended June 30, 2004

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Sale of goods and services	\$ 1,336,000	\$ 1,177,460	\$ (158,540)
Other sources	886,700	115,033	(771,667)
Total revenues	2,222,700	1,292,493	(930,207)
Expenditures:			
College support services:			
Personal services	637,629	563,495	74,134
Materials and services	1,000,000	985,744	14,256
Capital outlay	275,000	270,484	4,516
Total college support services	1,912,629	1,819,723	92,906
Plant operations and maintenance:			
Personal services	5,000	-	5,000
Materials and services	500	-	500
Total plant operations and maintenance	5,500	-	5,500
Reserves:			
Contingency	700,000	-	700,000
Total expenditures	2,618,129	1,819,723	798,406
Revenues over-(under) expenditures	(395,429)	(527,230)	(131,801)
Other financing sources-(uses):			
Transfers in	290,000	289,926	(74)
Transfers out	(24,776)	(24,776)	-
Total other financing sources-(uses)	265,224	265,150	(74)
Revenues over-(under) expenditures and other financing sources-(uses)	(130,205)	(262,080)	(131,875)
Fund balance - July 1, 2003	130,205	332,661	202,456
Fund balance - June 30, 2004	\$ -	\$ 70,581	\$ 70,581

LANE COMMUNITY COLLEGE
 Schedule of Property Tax Transactions
 ALL COUNTIES
 Year Ended June 30, 2004

Tax Year	Uncollected Taxes 7/1/2003	2003-04 Levy	Discounts/ Adjustments	Collections	Uncollected Taxes 6/30/2004
2003-04	\$ -	\$ 16,996,180	\$ (469,409)	\$ 16,019,015	\$ 507,756
2002-03	599,231	-	(25,801)	307,426	266,004
2001-02	256,206	-	(21,975)	117,531	116,700
2000-01	140,250	-	(12,213)	73,442	54,595
1999-00	52,987	-	(5,959)	27,928	19,100
1998-99	16,979	-	(1,045)	3,651	12,283
1997-98	18,830	-	(750)	10,434	7,646
Prior	122,646	-	(404)	4,741	117,501
Totals	<u>\$ 1,207,129</u>	<u>\$ 16,996,180</u>	<u>\$ (537,556)</u>	16,564,168	<u>\$ 1,101,585</u>
		Forest sales and other taxes		128,585	
		Interest and other		85,485	
		Total turnovers by counties		<u>\$ 16,778,238</u>	
		Allocation by fund:			
		General Fund		\$ 11,725,008	
		Debt Service Fund		5,053,230	
		Total allocations		<u>\$ 16,778,238</u>	

STATISTICAL SECTION

LANE COMMUNITY COLLEGE

General Fund Expenditures and Transfers by Function
Last Ten Fiscal Years

Function	2003-04	2002-03	2001-02	2000-01	1999-00
Instruction	\$ 29,519,738	\$ 31,978,721	\$ 37,958,210	\$ 36,453,578	\$ 35,259,169
Community Services	-	-	1,324,880	1,128,077	1,081,908
Instructional Support Services	3,724,078	3,350,683	3,273,699	2,713,706	2,757,368
Student Services	6,983,356	6,713,507	6,994,787	6,441,617	5,887,064
College Support Services	9,598,008	10,065,403	8,886,133	8,748,173	8,979,649
Plant Operations and Maintenance	5,235,817	5,231,730	4,812,449	4,489,607	4,020,925
Financial Aid	-	-	4	-	-
Transfers	4,328,366	5,844,808	3,222,322	2,883,104	3,878,111
Total	<u>\$ 59,389,363</u>	<u>\$ 63,184,852</u>	<u>\$ 66,472,484</u>	<u>\$ 62,857,862</u>	<u>\$ 61,864,194</u>

Source: Statements of Revenues, Expenditures, and Changes in Fund Balance by Year

LANE COMMUNITY COLLEGE

General Fund Expenditures and Transfers by Function
Last Ten Fiscal Years

Function	1998-99	1997-98	1996-97	1995-96	1994-95
Instruction	\$ 33,074,722	\$ 31,893,143	\$ 30,547,378	\$ 29,317,213	\$ 27,847,669
Community Services	1,017,228	963,193	826,509	788,682	725,376
Instructional Support Services	2,395,012	2,299,945	2,189,053	2,194,626	1,924,601
Student Services	5,529,431	5,025,554	5,072,696	4,646,958	4,431,080
College Support Services	9,068,809	8,543,162	9,211,256	8,179,024	6,789,253
Plant Operations and Maintenance	3,705,173	3,565,797	3,508,831	3,294,168	3,197,880
Financial Aid	492	-	720	-	19,080
Transfers	2,289,627	2,478,155	2,437,404	2,680,593	3,828,917
Total	\$ 57,080,494	\$ 54,768,949	\$ 53,793,847	\$ 51,101,264	\$ 48,763,856

Source: Statements of Revenues, Expenditures, and Changes in Fund Balance by Year

LANE COMMUNITY COLLEGE

Expenditures and Transfers (Budgetary Basis)
 Funds Other than General Fund
 Last Ten Fiscal Years

Fund	2003-04	2002-03	2001-02	2000-01	1999-00
Administratively Restricted Fund	\$ 8,271,656	\$ 4,708,172	\$ -	\$ -	\$ -
Special Revenue Fund	7,621,444	8,331,320	8,146,162	7,232,255	7,043,786
Student Financial Aid Fund	36,347,491	30,878,510	27,443,576	21,687,232	19,196,236
Debt Service Fund	7,471,652	56,891,132	4,566,037	4,311,284	4,199,437
Capital Projects Fund	4,188,296	8,957,361	14,451,356	18,300,218	15,581,509
Enterprise Fund	8,799,737	10,273,766	9,372,357	8,908,566	8,034,213
Internal Service Fund	1,844,499	1,971,065	19,587,458	17,506,834	16,752,812
Total	\$ 74,544,775	\$ 122,011,326	\$ 83,566,946	\$ 77,946,389	\$ 70,807,993

Source: Statements of Revenues, Expenditures, and Changes in Fund Balance by Year

TABLE 1B
(Continued)

LANE COMMUNITY COLLEGE

Expenditures and Transfers (Budgetary Basis)
Funds Other than General Fund
Last Ten Fiscal Years

<u>Fund</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
Administratively Restricted Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Special Revenue Fund	7,008,069	6,270,639	6,787,160	6,962,783	7,976,139
Student Financial Aid Fund	16,372,241	14,784,928	13,273,048	6,799,361	6,862,663
Debt Service Fund	4,265,923	4,015,323	3,771,320	3,588,330	401,438
Capital Projects Fund	4,100,102	4,006,636	4,369,462	3,771,117	3,209,993
Enterprise Fund	7,418,585	6,736,284	7,204,877	6,204,871	5,684,392
Internal Service Fund	16,173,710	14,933,538	15,328,879	14,482,189	14,003,187
Total	<u>\$ 55,338,630</u>	<u>\$ 50,747,348</u>	<u>\$ 50,734,746</u>	<u>\$ 41,808,651</u>	<u>\$ 38,137,812</u>

Source: *Statements of Revenues, Expenditures, and Changes in Fund Balance by Year*

LANE COMMUNITY COLLEGE

General Fund Revenues and Transfers by Source
Last Ten Fiscal Years

<u>Source</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>
Property Taxes	\$ 11,725,008	\$ 11,435,526	\$ 10,974,364	\$ 10,316,442	\$ 9,939,709
Tuition and Fees	18,755,124	19,162,904	17,332,484	16,336,279	15,910,252
Intergovernmental	33,953,152	19,664,280	30,862,022	29,964,650	29,456,241
Other Sources	3,484,009	3,651,186	5,201,991	5,673,632	5,278,559
Transfers	<u>44,950</u>	<u>1,432,370</u>	<u>222,663</u>	<u>163,688</u>	<u>144,250</u>
Total	<u>\$ 67,962,243</u>	<u>\$ 55,346,266</u>	<u>\$ 64,593,524</u>	<u>\$ 62,454,691</u>	<u>\$ 60,729,011</u>

Source: Statements of Revenues, Expenditures, and Changes in Fund Balance by Year

TABLE 2A
(Continued)

LANE COMMUNITY COLLEGE

General Fund Revenues and Transfers by Source
Last Ten Fiscal Years

Source	1998-99	1997-98	1996-97	1995-96	1994-95
Property Taxes	\$ 9,509,132	\$ 9,219,781	\$ 10,018,544	\$ 9,334,292	\$ 12,911,989
Tuition and Fees	15,590,089	13,501,490	13,500,788	12,987,554	12,375,196
Intergovernmental	28,848,379	27,671,711	24,948,769	24,799,591	21,725,931
Other Sources	4,969,293	4,977,003	4,619,020	3,108,464	3,783,797
Transfers	142,015	192,283	181,746	219,374	368,450
Total	\$ 59,058,908	\$ 55,562,268	\$ 53,268,867	\$ 50,449,275	\$ 51,165,363

Source: Statements of Revenues, Expenditures, and Changes in Fund Balance by Year

LANE COMMUNITY COLLEGE

Revenues and Other Financing Sources (Budgetary Basis)
Funds Other than General Fund
Last Ten Fiscal Years

<u>Fund</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>
Administratively Restricted Fund	\$ 10,174,523	\$ 5,040,075	\$ -	\$ -	\$ -
Special Revenue Fund	7,613,475	8,321,203	8,121,602	7,203,875	7,085,392
Student Financial Aid Fund	36,491,409	30,746,045	27,799,540	21,487,264	19,111,816
Debt Service Fund	7,846,140	57,148,459	4,611,393	4,395,893	4,253,002
Capital Projects Fund	2,398,142	3,391,835	5,739,230	5,784,254	3,695,304
Enterprise Fund	8,759,627	10,083,785	9,524,526	8,958,512	8,679,748
Internal Service Fund	<u>1,582,419</u>	<u>1,540,840</u>	<u>18,791,016</u>	<u>17,386,993</u>	<u>17,034,668</u>
Total	<u>\$ 74,865,735</u>	<u>\$ 116,272,242</u>	<u>\$ 74,587,307</u>	<u>\$ 65,216,791</u>	<u>\$ 59,859,930</u>

Source: Statements of Revenues, Expenditures, and Changes in Fund Balance by Year

TABLE 2B
(Continued)

LANE COMMUNITY COLLEGE

Revenues and Other Financing Sources (Budgetary Basis)
Funds Other than General Fund
Last Ten Fiscal Years

<u>Fund</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
Administratively Restricted Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Special Revenue Fund	6,960,967	6,266,348	6,768,699	6,987,842	7,871,479
Student Financial Aid Fund	16,412,616	14,690,235	13,368,843	6,921,649	6,806,749
Debt Service Fund	4,310,326	3,741,750	3,767,982	4,049,131	429,317
Capital Projects Fund	2,852,992	3,146,359	2,996,144	4,642,988	3,373,896
Enterprise Fund	7,646,128	7,104,671	6,797,191	6,369,504	5,958,848
Internal Service Fund	<u>16,015,237</u>	<u>15,575,072</u>	<u>15,362,527</u>	<u>13,918,382</u>	<u>13,101,081</u>
Total	<u>\$ 54,198,266</u>	<u>\$ 50,524,435</u>	<u>\$ 49,061,386</u>	<u>\$ 42,889,496</u>	<u>\$ 37,541,370</u>

LANE COMMUNITY COLLEGE

General Fund Expenditures and Transfers by Object
Last Ten Fiscal Years

Object	2003-04	2002-03	2001-02	2000-01	1999-00
Personal services	\$ 46,238,518	\$ 47,839,664	\$ 52,535,450	\$ 48,679,914	\$ 47,146,922
Materials and services	8,390,367	9,062,800	10,279,721	10,713,153	10,092,144
Capital outlay	432,112	437,580	434,991	581,691	747,017
Total expenditures	55,060,997	57,340,044	63,250,162	59,974,758	57,986,083
Transfers	4,328,366	5,844,808	3,222,322	2,883,104	3,878,111
Total expenditures and transfers	\$ 59,389,363	\$ 63,184,852	\$ 66,472,484	\$ 62,857,862	\$ 61,864,194

Source: *Statements of Revenues, Expenditures, and Changes in Fund Balance by Year*

TABLE 3
(Continued)

LANE COMMUNITY COLLEGE

General Fund Expenditures and Transfers by Object
Last Ten Fiscal Years

Object	1998-99	1997-98	1996-97	1995-96	1994-95
Personal services	\$ 44,745,347	\$ 42,695,605	\$ 40,878,380	\$ 38,918,237	\$ 36,361,052
Materials and services	9,613,046	9,004,255	9,300,788	8,253,528	7,606,479
Capital outlay	432,474	590,934	1,177,275	1,248,906	967,408
Total expenditures	54,790,867	52,290,794	51,356,443	48,420,671	44,934,939
Transfers	2,289,627	2,478,155	2,437,404	2,680,593	3,828,917
Total expenditures and transfers	\$ 57,080,494	\$ 54,768,949	\$ 53,793,847	\$ 51,101,264	\$ 48,763,856

Source: *Statements of Revenues, Expenditures, and Changes in Fund Balance by Year*

Property Tax Levies and Collections:
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Tax Collections In First Year <i>(1)</i>	Percent of Levy Collected In First Year	Delinquent Tax Collections <i>(1)</i>	Total Tax Collections <i>(1)</i>	Percent of Total Tax Collections To Tax Levy	Uncollected Taxes	Percent of Delinquent Taxes To Tax Levy
2003-04	\$ 16,996,180	\$ 16,019,015	94.3 %	\$ 545,153	\$ 16,564,168	97.46 %	\$ 1,101,585	6.48 %
2002-03	16,451,425	15,334,516	93.2	573,571	15,908,087	96.70	1,207,129	7.34
2001-02	15,406,431	14,196,436	92.1	525,863	14,722,299	95.56	1,250,590	8.12
2000-01	14,575,221	13,569,799	93.1	504,711	14,074,510	96.56	1,168,776	8.02
1999-00	13,800,777	12,867,510	93.2	465,505	13,333,015	96.61	1,109,195	8.04
1998-99	13,296,536	12,415,471	93.4	474,729	12,890,200	96.94	1,105,636	8.32
1997-98	12,154,692	11,329,564	93.2	491,343	11,820,907	97.25	1,135,641	9.34
1996-97	12,913,675	11,955,653	92.6	563,764	12,519,417	96.95	1,167,827	9.04
1995-96	12,106,573	11,243,650	92.9	528,625	11,772,275	97.24	1,167,827	9.65
1994-95	11,692,434	10,805,681	92.4	713,482	11,519,163	98.52	1,298,585	11.11

Source: General Purpose Financial Statements

(1) Amounts include interest on deficiencies, discounts allowed for early payment, adjustments and collections made by County Assessors

LANE COMMUNITY COLLEGE

Assessed Valuation
True Cash Valuation and Tax Rate
Lane County
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>Ratio of Assessed Valuation to True Cash Valuation</u>	<u>True Cash Valuation</u>
2003-04	\$19,191,256,460	79.1 %	\$24,256,098,187
2002-03	18,476,659,814	80.3	23,022,376,114
2001-02	18,045,909,262	79.0	22,846,616,910
2000-01	16,552,068,130	73.1	22,628,274,669
1999-00	15,470,169,278	74.6	20,744,172,758
1998-99	14,611,215,135	79.9	18,282,278,914
1997-98	13,951,289,444	78.7	17,724,168,650
1996-97	16,059,910,852	99.0	16,229,908,525
1995-96	14,560,245,605	99.1	14,698,583,158
1994-95	13,447,845,533	99.2	13,556,065,960

Source: Lane County Summary of Assessment and Tax Rolls

LANE COMMUNITY COLLEGE

Ratio of Net General Bonded Deb
to Assessed Value and Net Bonded Debt Per Capita:
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Monies Available	Net Bonded Debt	Ratio of Net	
						Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2003-04	N/A	\$ 19,191,256,460	\$ 23,200,000	\$ 1,186,099	\$ 22,013,901	0.11%	N/A
2002-03	616,600	18,476,659,814	26,640,000	811,711	25,828,289	0.14%	42
2001-02	613,350	18,045,909,262	29,715,000	604,913	29,110,087	0.16%	47
2000-01	609,600	16,552,068,130	32,445,000	555,374	31,889,626	0.19%	52
1999-00	604,580	15,470,169,278	34,860,000	474,419	34,385,581	0.22%	57
1998-99	602,060	14,611,215,135	36,985,000	409,783	36,575,217	0.25%	61
1997-98	599,990	13,951,289,444	38,870,000	358,986	38,511,014	0.28%	64
1996-97	596,020	16,059,910,852	40,445,000	619,873	39,825,127	0.25%	67
1995-96	587,720	14,560,245,605	41,720,000	624,242	41,095,758	0.28%	70
1994-95	579,730	13,447,845,533	42,770,000	142,561	42,627,439	0.32%	74

(1) Source: Portland State University - Center for Population Research and Census

(2) Source: Lane County Assessors

(3) Source: District Comprehensive Annual Financial Report

LANE COMMUNITY COLLEGE

Computation of Legal Debt Margin

June 30, 2004

Total Real Market Value of Taxable Property		\$ 24,256,098,187
Debt Limitation (1.5% of Real Market Value)		\$ 363,841,473
Total Bonded Debt	\$ 23,200,000	
Debt Subject to Limitation		23,200,000
Legal Debt Margin		\$ 340,641,473

LANE COMMUNITY COLLEGE

Ratio of Annual Debt Service Expenditures for General
Obligation Bonded Debt to Total General
Governmental Expenditure:
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	General Fund Expenditures And Transfers	Ratio of Debt Service To General Fund Expenditures And Transfers
2003-04	\$ 3,440,000	\$ 1,373,678	\$ 4,813,678	\$ 59,389,363	8.11%
2002-03	3,150,000	1,559,715	4,709,715	63,184,852	7.45%
2001-02	2,800,000	1,705,575	4,505,575	66,472,484	6.78%
2000-01	2,480,000	1,829,920	4,309,920	62,857,862	6.86%
1999-00	2,255,000	1,943,060	4,198,060	61,864,194	6.79%
1998-99	1,885,000	1,981,707	3,866,707	57,080,494	6.77%
1997-98	1,895,000	2,118,570	4,013,570	54,768,949	7.33%
1996-97	1,585,000	2,185,070	3,770,070	53,793,847	7.01%
1995-96	1,350,000	2,236,070	3,586,070	51,101,264	7.02%
1994-95	285,000	116,437	401,437	48,763,856	0.82%

LANE COMMUNITY COLLEGE

Principal Taxpayers
Year Ended June 30, 2004

LANE COUNTY

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Total Assessed Value</u>	<u>Percentage Of Total Assessed Value</u>	<u>Taxes</u>
Hynix Semiconductor MFC	Electronics	\$ 456,687,935	2.39 %	\$ 6,300,508
Weyerhaeuser Co	Wood Products	123,606,549	0.64	5,148,266
Qwest Corporation	Utility	73,872,190	0.38	3,011,835
Sony Music Entertainment Inc	Electronics	67,737,000	0.35	1,514,481
Valley River Center LLC	Shopping Mall	52,277,465	0.27	1,451,421
Northwest Natural Gas Co.	Utility	37,540,272	0.20	1,006,561
Gateway Mall Partners	Shopping Mall	31,482,586	0.16	734,667
Monaco Coach Corp	Custom RV	28,443,949	0.15	568,245
Peacehealth	Medical Group	27,832,940	0.15	530,679
SHLP Financing LLC	Finance	25,394,016	0.13	523,463
Subtotal - ten of the largest taxpayers		924,874,902	4.82	
All other taxpayers in Lane County		18,266,381,558	95.18	
Total Lane County Taxpayers		<u>\$ 19,191,256,460</u>	<u>100.00 %</u>	

Source: Lane County Assessor

LANE COMMUNITY COLLEGE

Average Number of Contracted Employees
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Faculty</u>	<u>Classified</u>	<u>Exempt</u>	<u>Total</u>
2003-04	236	366	63	665
2002-03	252	372	60	684
2001-02	273	394	68	735
2000-01	270	367	71	708
1999-00	271	379	71	721
1998-99	268	361	73	702
1997-98	265	344	71	680
1996-97	275	337	78	690
1995-96	269	320	80	669
1994-95	261	315	78	654

LANE COMMUNITY COLLEGE
Tuition Rates and Enrollment Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Tuition Rate Per Credit Hour</u>	<u>Total FTE</u>	<u>Unduplicated Headcount</u>
2003-04	\$ 63	10,699.90	29,743
2002-03	49	12,364.30	34,394
2001-02	38	13,265.10	40,099
2000-01	38	12,760.10	43,223
1999-00	36	12,449.40	41,766
1998-99	36	11,968.30	40,113
1997-98	34	12,148.80	37,954
1996-97	34	12,007.30 (1)	37,841
1995-96	32	12,141.80	38,441
1994-95	32	9,328.20	37,360

(1) Oregon community colleges changed calculation for total FTE in 1995-96

TABLE 12

LANE COMMUNITY COLLEGE

Full-Time Equivalent Students
Last Ten Fiscal Years

<u>Category</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>
Lower Division Transfer Courses	5,224.70	5,767.90	5,860.90	5,418.60	5,223.10
Vocational Preparatory	2,689.38	2,993.70	2,962.40	2,759.20	2,781.80
Vocational Supplementa	453.91	695.50	790.60	927.90	911.60
Vocational Apprenticē	198.80	213.20	256.10	286.40	416.40
Developmental Education	1,524.92	1,851.30	2,219.90	2,150.40	1,997.50
Self Improvement	<u>461.67</u>	<u>696.40</u>	<u>989.10</u>	<u>1,016.30</u>	<u>932.50</u>
Total reimbursable FTE	<u>10,553.38</u>	<u>12,218.00</u>	<u>13,079.00</u>	<u>12,558.80</u>	<u>12,262.90</u>
Non-Reimbursable	<u>146.52</u>	<u>146.30</u>	<u>186.10</u>	<u>201.30</u>	<u>186.50</u>
Total FTE	<u><u>10,699.90</u></u>	<u><u>12,364.30</u></u>	<u><u>13,265.10</u></u>	<u><u>12,760.10</u></u>	<u><u>12,449.40</u></u>

(1) Oregon community colleges changed calculation for total FTE in 1995-96

TABLE 12
(Continued)

LANE COMMUNITY COLLEGE

Full-Time Equivalent Students
Last Ten Fiscal Years

<u>Category</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u> (1)	<u>1994-95</u>
Lower Division Transfer Courses	5,103.30	5,078.50	4,896.50	4,749.60	3,603.30
Vocational Preparatory	2,716.90	2,639.80	2,613.40	2,643.10	2,126.80
Vocational Supplemental	914.30	895.60	886.60	865.10	683.90
Vocational Apprentices	261.80	265.50	260.50	259.80	166.50
Developmental Education	1,886.80	2,160.40	2,150.00	2,369.80	1,772.70
Self Improvement	<u>925.50</u>	<u>886.20</u>	<u>931.40</u>	<u>987.50</u>	<u>679.90</u>
Total reimbursable FTE	<u>11,808.60</u>	<u>11,926.00</u>	<u>11,738.40</u>	<u>11,874.90</u>	<u>9,033.10</u>
Non-Reimbursable	<u>159.70</u>	<u>222.80</u>	<u>268.90</u>	<u>266.90</u>	<u>295.10</u>
Total FTE	<u><u>11,968.30</u></u>	<u><u>12,148.80</u></u>	<u><u>12,007.30</u></u>	<u><u>12,141.80</u></u>	<u><u>9,328.20</u></u>

(1) Oregon community colleges changed calculation for total FTE in 1995-96

DISCLOSURES IN ACCORDANCE WITH GOVERNMENT

AUDITING STANDARDS AND OMB CIRCULAR A-133

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON THE INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

August 31, 2004

Board of Education
Lane Community College
Eugene, Oregon

We have audited the financial statements of Lane Community College as of and for the year ended June 30, 2004, and have issued our report thereon dated August 31, 2004. 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.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended solely for the information of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Kenneth Kuhns & Co.

Kenneth Kuhns & Co.

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

August 31, 2004

Board of Education
Lane Community College
Eugene, Oregon

Compliance

We have audited the compliance of Lane Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Lane Community College's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lane Community College's management. Our responsibility is to express an opinion on Lane Community College's compliance based on our audit.

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

In our opinion, Lane Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Lane Community College as of and for the year ended June 30, 2004, and have issued our report thereon dated August 31, 2004. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Kenneth Kuhns & Co.

LANE COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Accrued (Deferred) Revenue July 1, 2003	Receipts	Expenditures	Accrued (Deferred) Revenue June 30, 2004
<u>U.S. DEPARTMENT OF EDUCATION:</u>							
Direct programs:							
Student Financial Aid:							
Supplemental Educational Opportunity Grants	84.007		\$ 660,806	\$ -	\$ 660,806	\$ 660,806	\$ -
College Work Study	84.033		523,903	138,167	474,707	523,903	187,363
Perkins Loans	84.038		160,379	76,392	236,771	160,379	-
Pell Grant	84.063		10,240,473	18,868	10,238,321	10,240,473	21,020
Federal Direct Student Loan	84.268		20,458,579	264,372	20,580,385	20,458,579	142,566
SSS - TRIO 8-03	84.042A	P042A010806-02	237,506	7,514	50,999	43,485	-
SSS - TRIO 8-04	84.042A	P042A010806-03	240,905	-	192,194	209,483	17,289
FIPSE 8-04	84.116B	P116B031282	97,730	-	66,129	74,328	8,199
Passed Through Oregon Department of Community Colleges and Workforce Development:							
Comprehensive Services 6-03	84.002	9313	210,325	63,767	63,767	-	-
Comprehensive Services 6-04	84.002	9413	230,000	-	204,913	229,999	25,086
EL/Civics 6-03	84.002	6306	60,000	12,668	12,668	-	-
EL/Civics 6-04	84.002	6406	59,500	-	15,750	59,297	43,547
Corrections 6-03	84.002	9313C	35,700	5,001	5,001	-	-
Corrections 6-04	84.002	9413C	35,700	-	30,116	35,694	5,578
Outreach Tutoring 6-03	84.002	9313T	13,200	11,660	11,660	-	-
Outreach Tutoring 6-04	84.002	9413T	13,200	-	560	13,126	12,566
Set-Aside/Accountability 6-03	84.002	9313SAA	27,500	3,590	3,590	-	-
Set-Aside/Accountability 6-04	84.002	9413SAA	32,500	-	24,029	32,485	8,456
Set-Aside/PIP 6-03	84.002	9313SAPI	12,900	5,311	5,311	-	-
Set-Aside/PIP 6-04	84.002	9413SAPI	7,700	-	7,076	7,698	622
Passed Through Oregon Department of Education:							
Carl Perkins Grant 8-03	84.048	EE003312/001-002	1,080,058	178,614	269,995	91,381	-
Carl Perkins Grant 7-04	84.048	EE003845	1,085,620	-	468,335	997,564	529,229
Passed Through Oregon Department of Human Services:							
Occ Skills/DHS 6-05 (Note I)	84.126A	106408	131,721	-	25,522	43,208	17,686
Passed Through Lane Education Service District:							
Tech Prep 5-03	84.243A		55,770	55,765	55,765	-	-
Tech Prep 6-04	84.243A		53,814	-	-	53,804	53,804
Total U.S. Department of Education				841,689	33,704,370	33,935,692	1,073,011

LANE COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Accrued (Deferred) Revenue July 1, 2003	Receipts	Expenditures	Accrued (Deferred) Revenue June 30, 2004	
<u>U. S. DEPARTMENT OF COMMERCE:</u>								
<u>SMALL BUSINESS ADMINISTRATION:</u>								
Direct programs:								
	OSBDCN/SBA 12-03 (Note B)	59.037	3-603001-Z-0039-20A-01	\$ 961,278	\$ 130,049	\$ 791,296	\$ 661,247	\$ -
	OSBDCN/SBA 12-04 (Note B)	59.037	4-603001-Z-0039-21	961,278	-	127,704	326,032	198,328
Total U.S. Department of Commerce				130,049	919,000	987,279	198,328	
<u>CORPORATION FOR NATIONAL & COMMUNITY SERVICE:</u>								
Direct programs:								
	Senior Companion 6-03	94.016	01SCPOR025-Amend #4	307,817	116,480	116,480	-	-
	Senior Companion 6-04	94.016	02SCPOR025-1	313,973	-	221,180	313,973	92,793
Total Corporation for National & Community Service				116,480	337,660	313,973	92,793	
<u>U. S. DEPARTMENT OF LABOR:</u>								
Passed Through Oregon Department of Community Colleges and Workforce Development:								
	LFC/Workforce 7-03	17.258		75,000	24,697	34,883	10,186	-
Passed Through Oregon Department of Human Services:								
	Employment Retention 6-04 (Note H)	17.261	102516-2	367,319	39,616	190,377	202,220	51,459
Passed Through Lane Workforce Partnership:								
	National Emergency 6-04	17.260	21203 Mod #2	602,138	7,865	273,447	316,919	51,337
	LWP/WIA 6-03 (Note D)	17.260	22201 Mod#1	1,282,018	345,364	345,364	-	-
	LWP/WIA 6-03 (Note D)	17.258	22201 Mod#1	108,360	30,032	30,032	-	-
	LWP/WIA 6-04 (Note D)	17.260	23201 Mod#4	705,301	-	617,769	672,423	54,654
	LWP/WIA 6-04 (Note D)	17.258	23201 Mod#4	136,520	-	106,626	118,220	11,594
	LWP/3NP T-15 6-03	17.255	20203 Mod#4	623,672	23,538	23,538	-	-
Total U.S. Department of Labor				471,112	1,622,036	1,319,968	169,044	

LANE COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Accrued (Deferred) Revenue July 1, 2003	Receipts	Expenditures	Accrued (Deferred) Revenue June 30, 2004
<u>U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES:</u>							
Passed Through Oregon Childcare Resource & Referral Network:							
LFC/CCD - Network 6-03	93.575	02-RR06-1	\$ 264,897	\$ 61,491	\$ 61,491	\$ -	\$ -
LFC/CCD Network 6-05 (Note E)	93.575	03-05RR06	262,098	-	102,690	146,301	43,611
LFC/CCD Network 6-05 (Note E)	93.575	03-05RR06	1,399	-	1,399	1,399	-
LFC/DHS 6-05 (Note F)	93.575	DHS03-RR06	139,832	-	29,247	60,284	31,037
LFC/DHS 6-05 (Note F)	93.558	DHS03-RR06	18,375	-	18,375	18,375	-
Passed Through Adult and Family Services Division:							
LFC/AFS 9-03 (Note G)	93.596	100735-2	195,522	24,280	53,092	28,812	-
Passed Through Lane Workforce Partnership:							
Jobs/WTW 6-03	93.558	22304	141,820	23,368	23,368	-	-
Jobs/WTW 9-03 (Note J)	93.558	23310	35,455	-	35,302	35,302	-
Jobs/WTW 6-04 (Note K)	93.558	23316	106,365	-	74,814	97,828	23,014
Passed Through Lane County Commission on Children and Families							
LFC/CCF 6-03	93.575	204534	109,683	23,318	23,318	-	-
LFC/CCF 6-05	93.575	214313	91,000	-	31,790	42,923	11,133
Passed Through Marion County:							
LFC/CARES 6-05	93.575	1200321	119,636	-	36,779	49,015	12,236
Passed Through Lane Council of Governments Senior and Disabled Services:							
RSVP/LCOG 6-03 (Note L)	93.044	507197	13,421	2,800	2,800	-	-
RSVP/LCOG 6-03 (Note L)	93.778	507197	22,500	10,185	10,185	-	-
Total U.S. Department of Health & Human Services				145,442	504,650	480,239	121,031
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>							
<u>RURAL BUSINESS COOPERATIVE SERVICE:</u>							
Passed Through State of Oregon Department of Education:							
Child and Adult Care Food Program	10.558		22,754	-	12,991	12,991	-
Commodity Supplemental Food Program	10.565		1,622	-	1,000	1,000	-
Total U.S. Department of Agriculture				-	13,991	13,991	-

LANE COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Accrued (Deferred) Revenue July 1, 2003</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2004</u>
<u>GENERAL SERVICES ADMINISTRATION</u>						
Passed through Oregon State Department of Administrative Services:						
U. S. Government Surplus Property	39.003		\$ -	\$ 9,583	\$ 9,583	\$ -
Total all programs			<u>\$ 1,704,772</u>	<u>\$ 37,111,290</u>	<u>\$ 37,060,725</u>	<u>\$ 1,654,207</u>

LANE COMMUNITY COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Note A – Basis of Accounting:

The schedule of expenditures of federal awards presents receipts on the cash basis of accounting and presents expenditures on the accrual basis of accounting. Differences between receipts and expenditures are reflected as accrued (deferred) revenues.

Note B – Federal Subcontracts between the Lane Community College Business Development Center and the Oregon Small Business Development Center Network:

LCC's Oregon Small Business Development Center Network subcontracted portions of two grants containing federal funds to LCC's Business Development Center during the year. Expenditures for these subcontracts are not included in the schedule of expenditures because the expenditures are already included as part of the larger grants. During the year the BDC/SBA 12-03 subcontract #03-147 expended \$30,250 and the BDC/SBA 12-04 subcontract #04-147 expended \$1,616.

Note C – WIA 6-03/Lane Workforce Partnership:

The College's WIA 6-03 agreement with Lane Workforce Partnership is comprised of 100% federal funds. This is split between CFDA #17.260 - \$1,282,018 (award) and CFDA # 17258 - \$108,360 (award).

Note D – WIA 6-04/Lane Workforce Partnership:

The College's WIA 6-04 agreement with Lane Workforce Partnership is comprised of 100% federal funds. This is split between CFDA# 17.260 - \$705,301 (award) and CFDA# 17.258 - \$136,520 (award).

Note E – LFC/CCD Network 6-05/Oregon Childcare Resource & Referral Network:

The College's Lane Family Connections agreement with OCRRN is comprised of two parts. Part one is 100% federal funds (CFDA# 93.575) - \$262,098 (award). Part two is comprised of 97% federal funds and 3% non-federal. The federal part is \$1,399 (CFDA# 93.575). The college expended \$43 in non-federal funds during the year.

Note F – LFC/DHS 6-05/Oregon Childcare Resource & Referral Network:

The College's Lane Family Connections agreement with OCRRN is comprised of two parts. Part one is 93% federal funds (CFDA# 93.575) and 7% non-federal. Part two is comprised of 70% federal funds (CFDA# 93.558) and 30% non-federal. The college expended \$12,413 in non-federal funds during the year.

LANE COMMUNITY COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Note G – Lane Family Connections/AFS 9-03/ OR Dept of Human Services:

The College's Lane Family Connections agreement with the Oregon Dept of Human Services is comprised of 93% federal funds and 7% non-federal funds for 01/02 and is comprised of 97% federal funds and 3% non-federal funds for 02/03 and 03/04. The schedule of expenditures of federal award presents only the federal portion of the grants. The College expended \$891 in non-federal funds during the year.

Note H – Employment Retention 6-04/Oregon Department of Human Services:

The College's Employment Retention agreement with the Oregon Dept of Human Services, for prior fiscal year 02-03, was comprised of 70% federal funds and 30% non-federal funds. For fiscal year 03-04, 100% was federal funds. The award amount shown, reflects the total award of \$433,760, less the non-fed portion of \$66,441.

Note I – Occ Skills – DHS 6-05/Oregon Department of Human Services:

The College's Occupational Skill Training agreement with the Oregon Dept of Human Services is comprised of 78.7% federal funds and 21.3% non-federal funds. The schedule of expenditures of federal awards presents only the federal portion of the grants. The College expended \$11,694 in non-federal funds during the year.

Note J – JOBS/Welfare to Work 9-03/Lane Workforce Partnership:

The College's JOBS/Welfare to Work agreement with Lane Workforce Partnership is comprised of 70% federal funds and 30% non-federal funds. The schedule of expenditures of federal awards presents only the federal portion of the grant. The College expended \$15,130 in non-federal funds during the year for award #23310.

Note K – JOBS/Welfare to Work 6-04/Lane Workforce Partnership:

The College's JOBS/Welfare to Work agreement with Lane Workforce Partnership is comprised of 70% federal funds and 30% non-federal funds. The schedule of expenditures of federal awards presents only the federal portion of the grant. The College expended \$41,926 in non-federal funds during the year for award #23316.

Note L – RSVP/LCOG 6-03/Senior and Disabled Services:

The College's RSVP/LCOG 6-03 agreement with Lane Council of Governments Senior and Disabled Services is split between CFDA # 93.044 (37%) and CFDA # 93.778(63%).

LANE COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

A - SUMMARY OF AUDIT RESULTS:

1. The independent auditor's report expresses an unqualified opinion on the financial statements of Lane Community College.
2. There were no reportable conditions in internal control over financial reporting disclosed during the audit of the financial statements of Lane Community College.
3. No instances of noncompliance material to the financial statements of Lane Community College were disclosed during the audit.
4. There were no reportable conditions in internal control over compliance disclosed during the audit of the major federal award programs of Lane Community College.
5. The independent auditor's report on compliance for the major federal award programs of Lane Community College expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs of Lane Community College are reported in this schedule.
7. The programs tested as major programs included the following programs:

<u>Program Name</u>	<u>CFDA Number</u>
Student Financial Aid Cluster:	
Supplemental Educational Opportunity Grants	84.007
College Work Study	84.033
Perkins Loans	84.038
Pell Grant	84.063
Federal Direct Student Loan	84.268
WIA Adult Program	17.258
WIA Dislocated Workers	17.260

8. The threshold for distinguishing Type A programs from Type B programs was \$498,000.
9. Lane Community College was determined to be a low-risk auditee.

B - FINDINGS, FINANCIAL STATEMENTS AUDIT:

None.

C - FINDINGS AND QUESTIONED COSTS, MAJOR FEDERAL AWARD PROGRAMS AUDIT:

None.

INDEPENDENT AUDITOR'S COMMENTS

INDEPENDENT AUDITOR'S COMMENTS

Internal Control

Our report on the College's internal control over financial reporting is presented on pages 55 and 56 of this audit report.

Other Comments and Disclosures

In connection with our audit, nothing came to our attention that caused us to believe the College was not substantially in compliance with:

- ORS Chapter 295 regarding collateral securing depository balances,
- ORS 294.035 regarding the investment of surplus public funds,
- the legal requirements relating to debt,
- ORS 294.305 to 294.565 in the preparation and adoption of its budget for the fiscal years ending June 30, 2004 and June 30, 2005, and the execution of its budget for the fiscal year ended June 30, 2004,
- ORS Chapter 279 in the awarding of public contracts and the construction of public improvements,
- the appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies,

except as follows:

- As discussed in Note 8 to the financial statements, the College overexpended appropriations for certain funds.
- The College exceeded its collateral coverage in one institution for several days during the year.

However, it should be noted that our audit was not directed primarily toward obtaining knowledge of noncompliance with such requirements.

Additionally, we make the following comments:

- The accounting records are generally adequate for the needs of the College.
- We have reviewed the College's insurance and fidelity bond coverage for compliance with legal requirements. Since we are not experts in insurance matters, we make no representation as to the adequacy of such coverage.

COMMENDATION

The courteous assistance and cooperation extended to us by employees and officials of the College during the course of the audit are sincerely appreciated.