

**LINN-BENTON COMMUNITY COLLEGE
ALBANY, OREGON**

**ANNUAL FINANCIAL REPORT
Year Ended June 30, 2009**

**Rita Cavin, President
Jim Huckestein, Vice President, Finance and Operations
Betty Nielsen, Director, Accounting and Budget**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i to vii
Board of Education	viii
Organizational Chart	ix
FINANCIAL SECTION:	
Independent Auditor's Report	1 to 2
Management's Discussion and Analysis	3 to 9
Basic Financial Statements:	
Statement of Net Assets	10 to 11
Statement of Revenues, Expenses and Changes in Net Assets	12
Statement of Cash Flows	13 to 14
Notes to Financial Statements	15 to 31
Other Supplementary Information:	
Description of Budgeted College Funds	32
General Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	Schedule 1 33
Special Projects Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	Schedule 2 34
Auxiliary Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	Schedule 3 35
Financial Aid Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	Schedule 4 36

FINANCIAL SECTION: (Contd)

Other Supplementary Information: (Contd)

Capital Projects Fund:

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual Schedule 5 37

Debt Service Fund:

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual Schedule 6 38

Enterprise Fund:

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual Schedule 7 39

ASLBCC, Clubs and Workforce Agency Fund:

Schedule of Revenues, Expenditures and Changes
in Due to Others Schedule 8 40

Schedule of Property Tax Transactions Schedule 9 41

INDEPENDENT AUDITOR'S COMMENTS 42 to 43

**DISCLOSURES IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS AND OMB CIRCULAR A-133:**

Independent Auditor's Report on the Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in
Accordance With *Government Auditing Standards* 44 to 45

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 46 to 47

Schedule of Findings and Questioned Costs 48

Schedule of Expenditures of Federal Awards 49 to 50

INTRODUCTORY SECTION

LINN-BENTON COMMUNITY COLLEGE

June 30, 2009

Board of Education

<u>Official</u>	<u>Address</u>	<u>Office</u>
Ron Mason	825 NW Meadowview Drive Corvallis, OR 97330	Chair
Dick Running	100 Peach Tree Lane NE Albany, OR 97321	Vice Chair
Hal Brayton	P.O. Box 1026 Lebanon, OR 97355	Member
Ann Brodie	3145 NW Seneca Place Corvallis, OR 97330	Member
Janice Horner	35959 Eicher Road SE Albany, OR 97322	Member
Claus Sass	806 Fifth Avenue SW Albany, OR 97321	Member
Thomas Wogaman	2159 NW Beechwood Place Corvallis, OR 97330	Member

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Linn-Benton Community College's (the College) Annual Financial Report (AFR) presents an analysis of the financial position and activities of the College for the fiscal year ended June 30, 2009. This report has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with them. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. This discussion is designed to focus on current activities, resulting changes and current known facts.

Accounting Standards

The financial statements have been prepared in accordance with Governmental Accounting Standards Board Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities" which were adopted in November, 1999. The College was required to adopt these standards for the fiscal year ended June 30, 2003. The financial statements also include the College's independent Foundation as of December 31, 2008 in accordance with Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations Are Component Units". Under the standard, state and local governments that have qualifying fundraising foundations are required to include, through discrete presentations, the financial activities of those foundations in their financial statements.

Using the Financial Statements

This annual report consists of three parts-management's discussion and analysis (this section), the basic financial statements and other supplemental information. The financial statements focus on the College as a whole and are designed to emulate corporate presentation models whereby all of the College's activities are consolidated into one total. The statements are prepared in accordance with the accrual basis of accounting. The entity wide statements are comprised of the following:

- The *Statement of Net Assets* presents the College's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in the net assets are indicators of the improvement or deterioration of the College's financial health when considered along with non-financial facts such as enrollment levels and the condition of the facilities.
- The *Statement of Revenues, Expenses and Changes in Net Assets* presents the revenues earned and the expenses incurred during the year. All changes in net assets are reported under the accrual basis of accounting, or as soon as the underlying event giving rise to the change occurs regardless of the timing when the cash is received or occurred. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The utilization of long-lived assets is reflected in the financial statements as depreciation, which amortizes the cost of the capital asset over the expected useful life. Revenues and expenses are reported as either operating or nonoperating. The primary sources of operating revenues include tuition, grants and contracts. State appropriations and property taxes are classified as non-operating revenues. Because of the College's dependency on state aid and property tax revenue, this statement presents an operating loss.
- The *Statement of Cash Flows* presents information on cash flows from operating activities, noncapital financing activities, capital financing activities and investing activities. It provides the net increase or decrease in cash between the beginning and end of the fiscal year. This statement assists in evaluating the College's ability to meet financial obligations as they become due.

- 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

The College's financial position at June 30, 2009 shows assets of \$85,017,254, liabilities of \$57,887,965 and net assets of \$27,129,289, which was a decrease from the prior year of \$15,387,296. This was due primarily to a combination of two factors. A senate bill passed by the Oregon legislature in 2003 delayed the final quarterly payment to community colleges for the last year of every biennium. That final payment of \$4,943,187 was received in July 2009 and therefore was not included in the College's financial statements for fiscal year 2008-09. In addition to the delayed state revenue payments, the net pension asset decreased by \$10,293,666 due primarily to investment losses.

The 2009-10 budget was developed with considerable college-wide participation and was intended to reduce general fund expenditures from \$47.3 million down to \$45.9 million to fit the harsh reality of declining state revenues. Within this framework, the budget is designed to further advance the strategic plan, address burgeoning student and community needs and position the College for re-growth as the economy recovers. The 2009-10 budget reflects a pause in the funding of the technology, equipment, and maintenance reserves. The maintenance demands are less immediate due to this spring's state-funded stimulus work. LBCC is shifting resources from recruiting to retention and focusing on improving the quality of distance education rather than continuing its expansion.

The College's largest net asset reflects the amount invested in capital assets, e.g., land, buildings, and machinery and equipment, less any outstanding related debt used to acquire the assets. New facilities on campus are represented by an increase in Capital Assets.

Current assets have decreased primarily from the delayed payment strategy for state funds as the second year of the biennium produces 3 of the 8 biennial payments. The delayed payment of state funding has the effect of decreasing current assets in odd numbered years and increasing them in even numbered years.

Analysis of the Statement of Net Assets

The statement of Net Assets includes all assets and liabilities of the College using the accrual basis of accounting. Net assets is the difference between assets and liabilities, and is one measure of the financial condition of the College.

(in thousands of dollars)

	2009	2008
Assets		
Current assets	\$ 17,229	\$ 25,236
Capital assets, net of depreciation	42,378	40,066
Pension Assets	22,712	33,006
Other noncurrent assets	2,698	2,814
Total assets	\$ 85,017	\$ 101,122
Liabilities		
Current liabilities	\$ 10,169	\$ 8,980
Long-term debt, non-current portion	46,787	48,779

Other non-current liabilities	932	846
Total liabilities	\$ 57,888	\$ 58,605

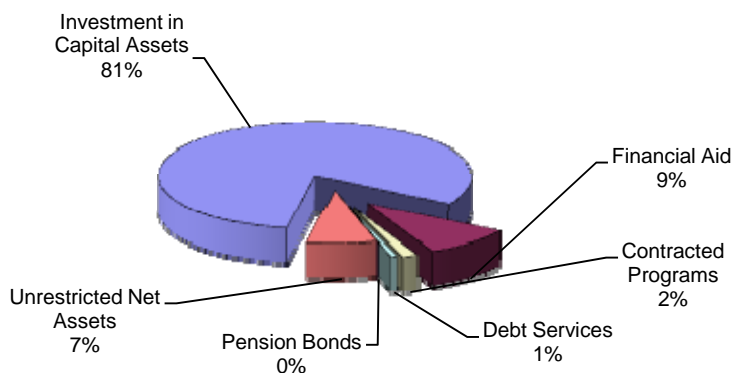
Net Assets

Invested in capital assets, net of related debt	\$ 21,899	\$ 21,153
Restricted	3,190	6,987
Unrestricted	2,040	14,377
Total net assets	\$ 27,129	\$ 42,517

Current assets include cash and investments from operations. The College's current assets of \$17.2 million are sufficient to cover the College's current liabilities of \$10.2 million. This represents a current ratio of 1.7. Receivables consist of taxes, student accounts, interest and various operating receivables. The College's two largest non-current assets are its investment in capital assets of \$42.4 million, net of depreciation, and the Pension assets from a February 2004 pension obligation bond financing.

The College's current liabilities primarily consist of accounts payable, payroll and payroll taxes payable, vacation payable, deferred revenue from tuition and fees, and the current portion of long-term debt. The non-current liabilities consist mainly of long-term debt from the issuance of general obligation bonds and the pension obligation bonds long-term debt of \$28.9 million.

The largest portion of the College's net assets is the \$21.9 million invested in capital assets. During 2008-09 the College began construction on a new Science Building and the renovation of the Science Technology Building, a two-phase building and renovation project. The College's restricted net assets consist of amounts set aside for student financial aid grants and loans, debt services and contracted programs. The College's unrestricted net assets consist of amounts for the continuing operation of the College. The following graph shows the allocation of net assets for the College at 6/30/2009:



Analysis of the Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the College as well as the nonoperating revenues and expenses. Annual state reimbursements and property taxes, while budgeted for operations, are considered non operating revenues according to accounting principles generally accepted in the United States of America (GAAP).

Changes in Linn-Benton Community College's Net Assets
(in thousands of dollars)

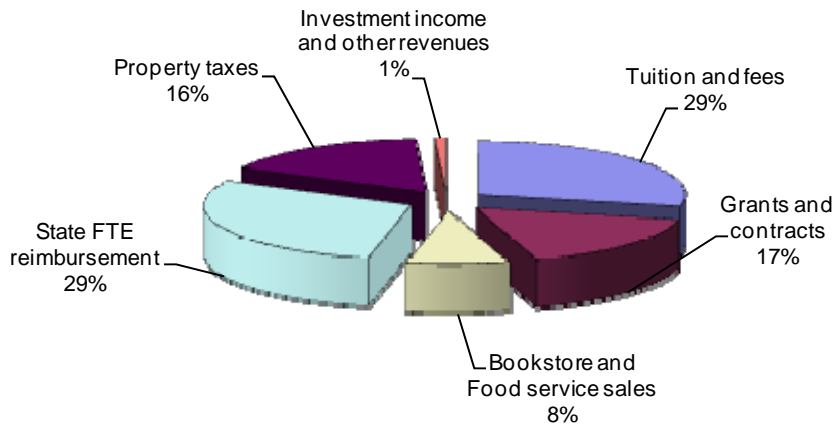
	2009	2008	Total Percentage Change 2008-2009
Revenues:			
Tuition and fees	\$ 14,474	\$ 13,209	9.6%
Student Financial Aid	8,474	6,187	37.0%
Intergovernmental grants /contracts	5,118	3,430	49.2%
Bookstore Sales	3,507	3,238	8.3%
Food Service Sales	604	592	2.0%
Other operating revenue	4,575	4,428	3.3%
Total operating revenue	36,752	31,084	18.2%
State community college support	14,829	24,235	(38.8)%
Property Taxes	8,366	7,953	5.2%
Other intergovernmental sources	0	0	0.0%
Interest income	443	920	(51.9)%
Total non operating revenue	23,638	33,108	(28.6)%
Total revenues	60,390	64,192	(5.9)%
Expenses:			
Instruction	28,439	25,178	13.0%
Instructional support	4,276	3,797	12.6%
College support services	12,089	11,264	7.3%
Student services	4,057	3,557	14.1%
Community services	57	48	18.8%
Scholarships and grants	9,946	7,736	28.6%
Plant operations	4,994	3,232	54.5%
Depreciation	2,031	1,980	2.6%
Total operating expenses	65,889	56,792	16.0%
Interest expense	2,555	2,506	2.0%
Amortization of debt issue costs/premium	20	17	17.6%
Loss on pension asset	7,430	(1,665)	546.3%
Loss on disposal of capital assets	15	14	7.1%
Total non operating expenses	10,020	872	1,049.1%
Total expenses	75,909	57,664	31.6%
Excess/(deficiency) before special items	(15,519)	6,528	(337.7)%
Capital contributions	132	1,330	(90.1)%
Increase/(decrease) in net assets	\$ (15,387)	\$ 7,858	(295.8)%

Revenues:

The most significant sources of operating revenue for the College are federal, state and local grants and contracts, including student financial aid, student tuition and fees, and bookstore operations. Tuition and fees totaled \$14,473,492, an increase of 9.6% due to higher enrollments.

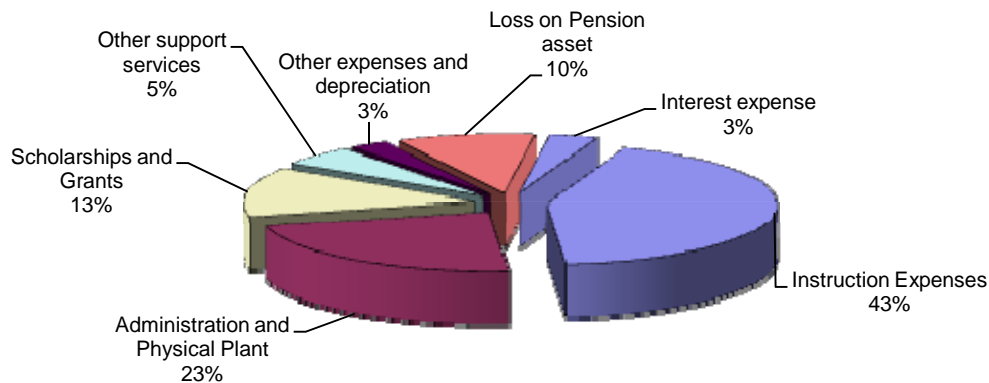
Student financial aid increased at a rate of 37.0% and intergovernmental grants and contracts increased by 49.2%. Revenue from Bookstore sales totaled \$3,507,347.

The largest non-operating revenue source is from the State of Oregon. Biennially, the state appropriates funding for community colleges. The College received \$14,829,560 for FTE reimbursement allocation in this fiscal year. This amount is \$9,405,345 less than the College received in fiscal year 2007-08. This was the result of a senate bill passed by the Oregon legislature that delayed the final quarterly payment to community colleges for the last year of a biennium. The final payment of \$4,943,187 for fiscal year 2008-09 was received in July 2009, so fiscal year 2008-09 had only three quarterly payments. Additional non-operating revenues of \$8,365,642 were received from property taxes the College levied, an increase of 5.2%. The following graph shows the allocation of revenues for the College, excluding student financial aid grants:



Expenses:

Expenses for fiscal year 2008-09 totaled \$75,909,669, an increase of 31.6%. Academic services represent the largest percentage of total expenses totaling \$32,715,103. Expenses for direct instruction increased from the prior year by 13%. The loss on the pension investment was \$7,429,736 or 10%. Grants and scholarships awarded to students totaled \$9,946,233 which was an increase of 28.6%. Plant operations increased by \$1,761,841 or 54.5%, as a result of the maintenance projects funded by the State of Oregon stimulus funds. Interest expense increased 2.0% due to the onset of repayment of the 2006 and 2007 Full Faith and Credit obligations. The following graph shows the allocation of expenses for the College:



Analysis of the Statement of Cash Flows

This statement provides an assessment of the financial health of the College. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the College during a period. The statement of cash flows also helps users assess the ability of the College to meet obligations as they become due and the need for external financing.

	(in thousands of dollars)	
	2009	2008
Cash Provided By (Used In):		
Operating Activities	\$ (24,892)	\$ (22,501)
Noncapital Financing Activities	21,347	30,501
Capital Financing Activities	(6,533)	(1,458)
Investing Activities	443	920
Net increase(decrease) in cash	(9,635)	7,462
Cash -- Beginning of year	21,023	13,561
Cash -- End of year	\$ 11,388	\$ 21,023

The major sources of funds included in the operating activities include student tuition and fees, student financial aid, and grants and contracts. Major uses were payments made to employees and suppliers, and for student financial aid and other scholarships.

State reimbursements and property taxes are the primary source of non-capital financing. The current accounting standards require that we reflect these sources of revenue as non-operating even though the College's budget depends on these revenues for operations. Property taxes are assessed to property owners within the College's tax base. The primary financing activities were the purchase of capital assets and for principal and interest on long-term debt.

Capital Assets and Debt Administration

Capital Assets

The College's investment in capital assets as of June 30, 2009 amounts to \$42,377,956 net of accumulated depreciation. Investment in capital assets includes land, buildings, improvements, machinery and equipment, art and historical treasures, library collections and land improvements.

Major capital asset increases during the fiscal year included the construction of the new Science Building facilities. More detailed information about the College's capital assets is included in Note 3 to the financial statements.

Long Term Debt

The College's total debt decreased \$1,776,780 during the current fiscal year. At the end of the current fiscal year, the College had total debt outstanding of \$50,810,089. Of this amount \$14,128,299 comprises general obligation bonds; \$28,940,000 in pension obligation bonds; \$1,381,558 in termination benefits, \$6,295,000 in full faith and credit obligations, and \$65,232 in premiums on full faith and credit obligations.

State statutes limit the amount of the general obligation debt the College may issue to 1.5% of Real Market Value of properties within the college district. The current legal debt limit is

\$302,417,497, which is significantly higher than the College's outstanding general obligation debt. The College's outstanding general obligation debt is approximately 4.5% of the legal debt limit. More detailed information about the College's long term debt is included in Note 4 to the financial statements.

Economic Factors and Next Year's Budget

During the 2008-09 fiscal year the College received approximately \$9.4 million dollars less in state revenue than fiscal year 2007-08. The primary difference was from the payment structure of the state FTE reimbursement. The final payment for 2008-09 of \$4,943,187 was paid to the College in July 2009 instead of April 2009. After factoring out the delayed payment strategy of the Oregon Legislature, a decrease of 1.44% in state support was realized in fiscal year 2008-09. The College as well as all agencies participating in the Oregon Public Employee's Retirement system are facing increases in employer rates due to the economic downturn and drop in stock prices during 2001 and 2002 and insufficient reserves in the PERS system. In order to respond to the rate increase, the College prepaid a portion of its unfunded actuarial liability by issuing pension obligation bonds to lessen the cost over the long term. This had the effect of decreasing the net rate for retirement cost by 1.1% for 2007-2009.

The budget for 2009-10 was crafted to reduce program offerings and service levels by about 10% overall when compared to 2008-09 due to state revenue declines resulting from a down economy. To further the strategic plan, and address immediate student and enrollment demands, resources were shifted from areas with less direct student impact. This budget reflects a pause in funding our technology reserve and a corresponding pause in equipment replacement and maintenance reserves. The budget is intended to maintain as much access to students as possible with less overall resources.

Requests for Information:

This financial report is designed to provide a general overview of Linn-Benton Community College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Accounting Services
Linn-Benton Community College
6500 SW Pacific Blvd.
Albany, OR 97321

BASIC FINANCIAL STATEMENTS

LINN-BENTON COMMUNITY COLLEGE

Statement of Net Assets
June 30, 2009

<u>Assets</u>	<u>College</u>	<u>Foundation (Component Unit) as of 12/31/08</u>
Current assets:		
Cash and investments	\$11,387,942	\$ 411,208
Receivables, net:		
Property taxes	530,919	-
Accounts/grants	4,399,657	2,063,331
Loans	300,000	-
Accrued interest	-	250
Inventories	515,660	-
Prepaid expenses	95,180	512
	<u>17,229,358</u>	<u>2,475,301</u>
Total current assets		
Noncurrent assets:		
Loans receivable, net	2,256,326	-
Investments primarily in equity mutual funds	-	4,099,409
Investments in property and equipment	-	530,516
Investments held by others	-	175,329
Pension asset	22,711,947	-
Unamortized debt issue costs	441,667	-
Capital assets:		
Land	3,227,064	-
Buildings and improvements	54,664,421	-
Equipment and vehicles	11,722,700	-
Less accumulated depreciation	(27,236,229)	-
	<u>67,787,896</u>	<u>4,805,254</u>
Total noncurrent assets		
Total assets	<u>85,017,254</u>	<u>7,280,555</u>

(Continues)

LINN-BENTON COMMUNITY COLLEGE

Statement of Net Assets
June 30, 2009

	<u>College</u>	<u>Foundation (Component Unit) as of 12/31/08</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 1,420,388	\$ 37,478
Payroll payable	2,867,308	-
Vacation payable	1,422,383	-
Accrued interest payable	48,955	-
Due to others	157,634	-
Unearned revenue	1,161,208	-
Current maturities of long-term obligations	<u>3,091,466</u>	<u>-</u>
Total current liabilities	<u>10,169,342</u>	<u>37,478</u>
Noncurrent liabilities - long-term obligations:		
General obligation bonds payable	14,128,299	-
Pension bonds payable	28,940,000	-
Full faith and credit obligations	6,295,000	-
Premium on full faith and credit obligations	65,232	-
Termination benefits	<u>1,381,558</u>	<u>-</u>
Total long-term obligations	50,810,089	-
Less current maturities	<u>(3,091,466)</u>	<u>-</u>
Total noncurrent liabilities - long-term obligations	<u>47,718,623</u>	<u>-</u>
Total liabilities	<u>57,887,965</u>	<u>37,478</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	<u>21,899,218</u>	<u>-</u>
Restricted for debt service	198,303	-
Restricted for student financial aid	2,547,350	-
Restricted for grants and contracts	444,742	-
Restricted permanently for endowment fund investments	-	1,929,545
Restricted temporarily for scholarships and special assistance	<u>-</u>	<u>4,558,667</u>
Total restricted net assets	<u>3,190,395</u>	<u>6,488,212</u>
Unrestricted	<u>2,039,676</u>	<u>754,865</u>
Total net assets	<u><u>\$27,129,289</u></u>	<u><u>\$ 7,243,077</u></u>

The accompanying notes are an integral part of this statement.

LINN-BENTON COMMUNITY COLLEGE

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009

	<u>College</u>	Foundation (Component Unit) year ended 12/31/08
Operating revenues:		
Tuition and fees	\$ 14,473,492	\$ -
Student financial aid grants	8,474,204	-
Intergovernmental grants and contracts	5,118,130	-
Bookstore sales	3,507,347	-
Food service sales	604,480	-
Other operating revenue	4,574,558	3,692,874
	<u>36,752,211</u>	<u>3,692,874</u>
Operating expenses:		
Instruction	28,438,917	-
Instructional support	4,276,186	-
College support services	12,088,742	-
Student services	4,057,365	-
Community services	57,067	-
Scholarships and grants	9,946,233	-
Plant operations	4,993,526	-
Foundation programs	-	3,007,560
Depreciation	2,031,366	-
	<u>65,889,402</u>	<u>3,007,560</u>
Operating gain-(loss)	<u>(29,137,191)</u>	<u>685,314</u>
Nonoperating revenues-(expenses)		
State community college support	14,829,560	-
Property taxes	8,365,642	-
Investment income-(loss)	443,376	(1,637,386)
Interest expense	(2,555,546)	-
Amortization of debt issue costs	(23,512)	-
Amortization of premium on full faith and credit obligations	3,518	-
Loss on pension asset	(7,429,736)	-
Loss on disposition of capital assets	(14,991)	-
	<u>13,618,311</u>	<u>(1,637,386)</u>
Loss before contributions	(15,518,880)	(952,072)
Capital contributions	<u>131,584</u>	<u>-</u>
Change in net assets	(15,387,296)	(952,072)
Net assets - beginning of year	<u>42,516,585</u>	<u>8,195,149</u>
Net assets - end of year	<u>\$ 27,129,289</u>	<u>\$ 7,243,077</u>

The accompanying notes are an integral part of this statement.

LINN-BENTON COMMUNITY COLLEGE

Statement of Cash Flows
Year Ended June 30, 2009

Cash flows from operating activities:	
Tuition and fees	\$ 15,025,478
Student financial aid grants	8,552,736
Intergovernmental grants and contracts	3,525,239
Bookstore receipts	3,509,266
Food service receipts	525,036
Other cash receipts	4,454,488
Payments to employees for services	(40,929,872)
Payments to suppliers for goods and services	(9,607,929)
Payments for student scholarships and grants	<u>(9,946,233)</u>
Net cash used in operating activities	<u>(24,891,791)</u>
Cash flows from noncapital financing activities:	
Cash received from State community college support	14,829,560
Cash received from property taxes	8,260,870
Principal paid on pension bonds	(185,000)
Interest paid on pension bonds	<u>(1,558,503)</u>
Net cash provided by noncapital financing activities	<u>21,346,927</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(3,877,828)
Principal paid on capital-related long-term debt	(2,385,000)
Interest paid on capital-related long-term debt	<u>(270,840)</u>
Net cash used in capital and related financing activities	<u>(6,533,668)</u>
Cash flows from investing activities:	
Investment income	<u>443,376</u>
Net decrease in cash and cash equivalents	(9,635,156)
Cash and cash equivalents - beginning of year	<u>21,023,098</u>
Cash and cash equivalents - end of year	<u><u>\$ 11,387,942</u></u>

(Continues)

LINN-BENTON COMMUNITY COLLEGE

Statement of Cash Flows
Year Ended June 30, 2009

Reconciliation of operating loss to net cash
used in operating activities:

Operating loss	<u>\$ (29,137,191)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,031,366
Amortization of pension asset	2,863,930
Decrease-(increase) in:	
Accounts/grants receivable	(1,531,076)
Loans receivable	93,014
Inventories	58,925
Prepaid expenses	(51,552)
Increase-(decrease) in:	
Accounts payable	326,814
Payroll payable	105,754
Vacation payable	41,772
Termination benefits	55,974
Due to others	(27,615)
Unearned revenue	<u>278,094</u>
Total adjustments	<u>4,245,400</u>
Net cash used in operating activities	<u><u>\$ (24,891,791)</u></u>

Noncash capital, investing and financing activities:

Acquisition of capital assets	\$ (131,584)
Capital contributions	131,584
Amortization of deferred interest bonds	740,764
Interest expense	(740,764)
Unamortized debt issue costs	23,512
Amortization of debt issue costs	(23,512)
Premium on full faith and credit obligations	(3,518)
Amortization of premium on full faith and credit obligations	3,518
Disposition of capital assets	14,991
Loss on disposition of capital assets	(14,991)
Loss on pension asset	(7,429,736)
Pension asset	<u>7,429,736</u>
Total noncash capital, investing and financing activities	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Linn-Benton 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 GASB 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 Statements No. 34 and No. 35.

(A) Organization and Operation

Linn-Benton Community College (the College) was formed on December 6, 1966 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, Linn-Benton Community College Foundation. 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, 2009, the Foundation provided scholarships of \$466,753 and other contributions of \$674,002 for the benefit of the College. The College provided personnel and administrative contributions to the Foundation totaling \$252,580 during the year. Complete financial statements for the Foundation can be obtained at: 6500 Pacific Boulevard SW, Albany, Oregon 97321.

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 bookstore and food service sales. Operating expenses include the cost of faculty, administration and support expenses, bookstore and food service 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 are carried at fair value. During the year, the College's investments were in the Oregon Local Government Investment Pool and obligations of the U.S. Government and its agencies, all of which are authorized by Oregon law. For purposes of the statement of cash flows, cash, demand deposits, the 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.

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 and U.S. government and agencies securities, which are exempt from statutes requiring such insurance.

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(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 collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes are recognized as revenues when levied.

(G) Accounts/Grants Receivable 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 valued at the lower of cost (first-in/first-out method) or market.

(I) Capital Assets

Capital assets include land, buildings and improvements, equipment and vehicles, and library books. The College's capitalization threshold is \$1,500 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.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40 to 50
Office equipment	10
Computer equipment	5
Vehicles	10
Library books	10

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(J) Compensated Absences

Employees of the College are permitted to accumulate earned but unused vacation and sick pay. Vacation pay is recorded as a liability and an expense when earned. A liability does not exist for unpaid accumulated sick leave since College policy does not allow payment upon separation of service.

(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 Plan

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 are charged to expense as funded.

(M) Termination Benefits

The College allows employees who have reached age and service requirements to request early retirement after age 55. The monthly benefit is computed using 1.25% of the employee's final annual compensation. The Board of Education has reserved the right to grant this benefit on a case by case basis. Additionally, for those employees granted the early retirement benefit, the College provides group medical, vision and dental insurance coverage for the employee. Early retirement costs are recognized as a liability and expense when the employees accept the offer.

(N) 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:

Cash and investments are comprised of the following at June 30, 2009:

Cash on hand	\$ 115,136
Deposits with financial institutions	1,604,344
Investments	<u>9,668,462</u>
Total cash and investments	<u>\$ 11,387,942</u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

2 - CASH AND INVESTMENTS: (Contd)

Deposits with Financial Institutions

Deposits with financial institutions are bank demand deposits. The total bank balance, as shown on the banks' records at June 30, 2009, was \$3,597,889. Of these deposits, the total covered by federal depository insurance was \$377,804.

Effective July 1, 2008, the Oregon State Treasurer became responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized to the extent required by Oregon Revised Statutes (ORS) Chapter 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third-party custodian bank securities having a value of 10%, 25%, or 110% of public funds on deposit depending primarily on the capitalization level of the depository bank.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The College does not have a policy for deposits custodial credit risk. Of the College's bank balance, \$3,220,085 was exposed to custodial credit risk as of June 30, 2009, because deposits in excess of FDIC insurance were uncollateralized and/or were collateralized but not held by the third-party custodian bank in the College's name.

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 Oregon Local Government Investment Pool, among others. The College has no investment policy that would further limit its investment choices.

At June 30, 2009, the College's investments consisted of:

Investment in Oregon Local Government	
Investment Pool	\$ 9,653,633
Other	<u>14,829</u>
Total investments	<u><u>\$ 9,668,462</u></u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

2 - CASH AND INVESTMENTS: (Contd)

Investments (Contd)

The Oregon Local Government Investment Pool is an open-ended, no-load diversified portfolio pool. The fair value of the College's position in the pool is substantially the same as the value of the College's participant balance. The College's investment in the Oregon Local Government Investment Pool is approximately 99.8% of total investments.

The Oregon Local Government Investment Pool is an external investment pool which is part of the Oregon Short-Term Fund. Investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund does not receive credit quality ratings from nationally recognized statistical rating organizations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund manages this risk by limiting the maturity of the investments held by the fund. Weighted average maturities of investments in the Oregon Short-Term Fund at June 30, 2009 were: 75% mature within 93 days, 12% mature from 94 days to one year, and 13% mature from one to three years.

Foundation Cash and Investments

The Foundation's cash and investments of \$411,208 shown as current assets at December 31, 2008, consist of demand deposits and money market accounts.

The Foundation's investments of \$4,099,409 shown as noncurrent assets at December 31, 2008, primarily consist of equity mutual funds. Foundation investments are carried at fair value. Fair value and cost information for investments is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Equity mutual funds	\$ 4,836,179	\$ 4,056,497
Debt securities	10,000	9,975
Trust	42,718	32,937
	<u>\$ 4,888,897</u>	<u>\$ 4,099,409</u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

2 - CASH AND INVESTMENTS: (Contd)

Foundation Cash and Investments (Contd)

The Foundation maintains bank accounts at two institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 each. Amounts at both institutions were fully insured at December 31, 2008.

The Foundation maintains its investments with the investment firm Edward Jones, Piper-Jaffray, and also with Commonfund. The Foundation's investments are diversified in a variety of mutual funds and equity securities. However, the Foundation's investments are subject to market fluctuations, which could dramatically affect the carrying value of these assets. The Foundation's investments are insured by the Securities Investors Protection Corporation (SIPC) up to a maximum of \$500,000. Investments at Edward Jones are also covered by additional insurance provided to investors through the company. Investments at Piper-Jaffray were fully insured at December 31, 2008. Investments held at Commonfund exceeded the insured limits by \$2,751,696 at December 31, 2008.

3 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 3,057,916	\$ 169,148	\$ -	\$ 3,227,064
Capital assets being depreciated:				
Buildings and improvements	50,989,360	3,675,061	-	54,664,421
Equipment and vehicles	11,708,447	514,254	500,001	11,722,700
Total capital assets being depreciated	<u>62,697,807</u>	<u>4,189,315</u>	<u>500,001</u>	<u>66,387,121</u>
Less accumulated depreciation for:				
Buildings and improvements	17,100,455	1,480,587	-	18,581,042
Equipment and vehicles	8,589,418	550,779	485,010	8,655,187
Total accumulated depreciation	<u>25,689,873</u>	<u>2,031,366</u>	<u>485,010</u>	<u>27,236,229</u>
Total capital assets being depreciated, net	<u>37,007,934</u>	<u>2,157,949</u>	<u>14,991</u>	<u>39,150,892</u>
Total capital assets, net	<u>\$ 40,065,850</u>	<u>\$ 2,327,097</u>	<u>\$ 14,991</u>	<u>\$ 42,377,956</u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

4 - LONG-TERM OBLIGATIONS:

Changes in long-term obligations for the year ended June 30, 2009 are as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due within One Year	Interest Matured and Paid
General obligation						
bonds payable	\$ 15,557,535	\$ 740,764	\$ 2,170,000	\$ 14,128,299	\$ 2,138,611	\$ -
Pension bonds payable	29,125,000	-	185,000	28,940,000	265,000	1,558,503
Full faith and credit						
obligations	6,510,000	-	215,000	6,295,000	235,000	270,840
Premium on full faith and						
credit obligations	68,750		3,518	65,232	3,518	-
Termination benefits	1,325,584	411,185	355,211	1,381,558	449,337	-
Total	\$ 52,586,869	\$ 1,151,949	\$ 2,928,729	\$ 50,810,089	\$ 3,091,466	\$ 1,829,343

Bonds payable additions include \$740,764 of accreted interest.

Bonds Payable

In November 2000, a bond issue in the amount of \$19,100,000 was passed by the voters for the purpose of funding capital construction and improvements. The bonds were split to be sold in two installments, the first occurring in February 2001 totaling \$9,547,742, and the second occurring in February 2002 totaling \$9,550,211.

The full faith and credit of the College is pledged for the Series 2001 and 2002 General Obligation Bonds. The Series 2001 and 2002 bonds are deferred interest bonds, due annually, with interest rates ranging from 4.57% to 5.15% and 4.34% to 4.99%, respectively.

In February 2004, the College issued \$29,235,000 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 is being used to pay a portion of the College's annual required contribution. Principal payments are due annually beginning in June 2008 through June 30, 2028 and interest is payable in December and June of each year with rates ranging from 4.05% to 5.53%.

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

4 - LONG-TERM OBLIGATIONS: (Contd)

Bonds Payable (Contd)

Future bonded debt requirements for the Series 2001 bond issue (at accreted value) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 1,084,844	\$ 50,156	\$ 1,135,000
2010-11	1,044,423	100,577	1,145,000
2011-12	1,015,104	154,896	1,170,000
2012-13	980,501	209,499	1,190,000
2013-14	941,334	263,666	1,205,000
2014-15	916,620	323,380	1,240,000
2015-16	<u>882,643</u>	<u>377,357</u>	<u>1,260,000</u>
Total	<u>\$ 6,865,469</u>	<u>\$ 1,479,531</u>	<u>\$ 8,345,000</u>

Future bonded debt requirements for the Series 2002 bond issue (at accreted value) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 1,053,767	\$ 46,233	\$ 1,100,000
2010-11	1,062,456	97,544	1,160,000
2011-12	1,053,158	151,842	1,205,000
2012-13	1,042,980	212,020	1,255,000
2013-14	1,037,850	277,150	1,315,000
2014-15	1,014,028	340,972	1,355,000
2015-16	<u>998,591</u>	<u>411,409</u>	<u>1,410,000</u>
Total	<u>\$ 7,262,830</u>	<u>\$ 1,537,170</u>	<u>\$ 8,800,000</u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

4 - LONG-TERM OBLIGATIONS: (Contd)

Bonds Payable (Contd)

Future bonded debt requirements for the Series 2004 bond issue are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 265,000	\$ 1,551,825	\$ 1,816,825
2010-11	355,000	1,541,092	1,896,092
2011-12	450,000	1,525,611	1,975,611
2012-13	555,000	1,505,118	2,060,118
2013-14	670,000	1,478,772	2,148,772
2014-15	795,000	1,446,632	2,241,632
2015-16	925,000	1,407,701	2,332,701
2016-17	1,070,000	1,361,478	2,431,478
2017-18	1,230,000	1,306,941	2,536,941
2018-19	1,400,000	1,243,018	2,643,018
2019-20	1,590,000	1,166,857	2,756,857
2020-21	1,795,000	1,080,362	2,875,362
2021-22	2,015,000	982,713	2,997,713
2022-23	2,250,000	873,098	3,123,098
2023-24	2,505,000	750,697	3,255,697
2024-25	2,785,000	612,171	3,397,171
2025-26	3,080,000	458,160	3,538,160
2026-27	3,400,000	287,836	3,687,836
2027-28	1,805,000	99,817	1,904,817
Total	<u>\$ 28,940,000</u>	<u>\$ 20,679,899</u>	<u>\$ 49,619,899</u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

4 - LONG-TERM OBLIGATIONS: (Contd)

Bonds Payable (Contd)

The following is a schedule combining the 2001, 2002 and 2004 bond issues:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 2,403,611	\$ 1,648,214	\$ 4,051,825
2010-11	2,461,879	1,739,213	4,201,092
2011-12	2,518,262	1,832,349	4,350,611
2012-13	2,578,481	1,926,637	4,505,118
2013-14	2,649,184	2,019,588	4,668,772
2014-15	2,725,648	2,110,984	4,836,632
2015-16	2,806,234	2,196,467	5,002,701
2016-17	1,070,000	1,361,478	2,431,478
2017-18	1,230,000	1,306,941	2,536,941
2018-19	1,400,000	1,243,018	2,643,018
2019-20	1,590,000	1,166,857	2,756,857
2020-21	1,795,000	1,080,362	2,875,362
2021-22	2,015,000	982,713	2,997,713
2022-23	2,250,000	873,098	3,123,098
2023-24	2,505,000	750,697	3,255,697
2024-25	2,785,000	612,171	3,397,171
2025-26	3,080,000	458,160	3,538,160
2026-27	3,400,000	287,836	3,687,836
2027-28	1,805,000	99,817	1,904,817
	<u>\$43,068,299</u>	<u>\$23,696,600</u>	<u>\$ 66,764,899</u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

4 - LONG-TERM OBLIGATIONS: (Contd)

Full Faith and Credit Obligations

In May 2007, the College issued \$3,100,000 of Full Faith and Credit Obligations to provide funds for capital construction and improvements. Principal payments are due annually beginning in June 2008 through June 1, 2027 and interest is payable in December and June of each year with rates ranging from 4% to 5%. Obligations maturing on or after June 1, 2019 are subject to redemption in whole or in part at 100% of the principal amount plus accrued interest to the redemption date.

Future requirements for the Series 2007 Full Faith and Credit Obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 110,000	\$ 120,725	\$ 230,725
2010-11	115,000	116,050	231,050
2011-12	120,000	111,450	231,450
2012-13	125,000	106,650	231,650
2013-14	130,000	101,650	231,650
2014-15	135,000	96,450	231,450
2015-16	140,000	89,700	229,700
2016-17	150,000	82,700	232,700
2017-18	155,000	75,200	230,200
2018-19	160,000	69,000	229,000
2019-20	170,000	62,600	232,600
2020-21	175,000	55,800	230,800
2021-22	185,000	48,800	233,800
2022-23	190,000	41,400	231,400
2023-24	200,000	33,800	233,800
2024-25	205,000	25,800	230,800
2025-26	215,000	17,600	232,600
2026-27	225,000	9,000	234,000
Total	<u>\$ 2,905,000</u>	<u>\$ 1,264,375</u>	<u>\$ 4,169,375</u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

4 - LONG-TERM OBLIGATIONS: (Contd)

Full Faith and Credit Obligations (Contd)

In April 2008, the College issued \$3,500,000 of Full Faith and Credit Obligations to provide funds for capital construction and improvements. Principal payments are due annually beginning in June 2009 through June 1, 2028 and interest is payable in December and June of each year with rates ranging from 3% to 5%. Obligations maturing between June 1, 2019 and June 1, 2024 are subject to redemption in whole or in part at 100% of the principal amount plus accrued interest to the redemption date.

Future requirements for the Series 2008 Full Faith and Credit Obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 125,000	\$ 130,363	\$ 255,363
2010-11	130,000	126,612	256,612
2011-12	135,000	122,713	257,713
2012-13	140,000	118,325	258,325
2013-14	145,000	113,775	258,775
2014-15	155,000	108,700	263,700
2015-16	150,000	103,275	253,275
2016-17	160,000	97,650	257,650
2017-18	165,000	91,650	256,650
2018-19	175,000	83,400	258,400
2019-20	180,000	76,400	256,400
2020-21	190,000	69,200	259,200
2021-22	195,000	61,600	256,600
2022-23	205,000	53,800	258,800
2023-24	210,000	45,600	255,600
2024-25	220,000	37,200	257,200
2025-26	230,000	28,400	258,400
2026-27	235,000	19,200	254,200
2027-28	245,000	9,800	254,800
Total	<u>\$ 3,390,000</u>	<u>\$ 1,497,663</u>	<u>\$ 4,887,663</u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

4 - LONG-TERM OBLIGATIONS: (Contd)

Full Faith and Credit Obligations (Contd)

The following is a schedule combining the 2007 and 2008 full faith and credit obligations issues:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009-10	\$ 235,000	\$ 251,088	\$ 486,088
2010-11	245,000	242,662	487,662
2011-12	255,000	234,163	489,163
2012-13	265,000	224,975	489,975
2013-14	275,000	215,425	490,425
2014-15	290,000	205,150	495,150
2015-16	290,000	192,975	482,975
2016-17	310,000	180,350	490,350
2017-18	320,000	166,850	486,850
2018-19	335,000	152,400	487,400
2019-20	350,000	139,000	489,000
2020-21	365,000	125,000	490,000
2021-22	380,000	110,400	490,400
2022-23	395,000	95,200	490,200
2023-24	410,000	79,400	489,400
2024-25	425,000	63,000	488,000
2025-26	445,000	46,000	491,000
2026-27	460,000	28,200	488,200
2027-28	245,000	9,800	254,800
	<u>\$ 6,295,000</u>	<u>\$ 2,762,038</u>	<u>\$ 9,057,038</u>

Termination Benefits

The early retirement benefit is reported as a liability on the College's financial statements and is recognized as a voluntary termination benefit as classified under GASB Statement No. 47. The liability reflects the discounted present value of expected future stipend payments and group medical, vision and dental insurance coverage premiums. The discount rate used was 3%, which approximates the College's yield on current investments held in the Local Government Investment Pool.

Notes to Financial Statements
Year Ended June 30, 2009

5 - RETIREMENT PLAN:

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, school districts, and political subdivisions. PERS is administered under Oregon Revised Statutes Chapter 238 and Chapter 238A 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 SW 68th Parkway, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling (503) 598-PERS.

Funding Policy

PERS members are required to contribute 6% of their annual covered salary. The College is required to contribute an actuarially determined rate. The current rate is 3.35% of annual covered payroll for member employees of the State and Local Government Rate Pool. The current rate is 5.82% of annual covered payroll for member employees of the Oregon Public Service Retirement Plan. 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, 2009, 2008 and 2007, totaled \$1,462,950, \$1,164,047 and \$1,096,246, respectively, equal to the required contributions each year.

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 2008-09 fiscal year, changes in the pension asset were as follows:

Asset balance - July 1, 2008	\$ 33,005,613
Investment income-(loss)	(7,429,736)
Contributions to cost sharing pool	<u>(2,863,930)</u>
Asset balance - June 30, 2009	<u><u>\$ 22,711,947</u></u>

6 - 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 is a member of the Oregon School Boards Association PACE Program and pays an annual premium to PACE for its general and automobile liability and automobile physical damage coverage. Under the membership agreement with PACE, the insurance pool is to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits.

The College carries commercial insurance for other risks of loss including workers' compensation, property damage, 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.

7 - CONTINGENCIES:

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

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 sub-object level (i.e., Personal Services, Materials and Services, Capital Outlay, Debt Service, and Operating Contingency). Appropriations lapse at year end.

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2009

8 - BUDGET: (Contd)

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, 2009, the Board approved transfer resolutions as allowed by state law.
6. Encumbrances represent commitments related to unperformed contracts for goods or services. All encumbrances lapse at the end of each fiscal year. Any outstanding purchase orders at June 30 are reencumbered in the subsequent year.

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. Statements 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.

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.

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

Auxiliary Fund - Accounts for projects funded by restricted revenues generated from state grant funds, contracted training, special divisional projects, student activities and proceeds from the sale of excess property.

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

Capital Projects Fund - Accounts for improvements to the physical plant of the College and major equipment additions, other than those financed by the enterprise fund.

Debt Service Fund - Accounts for the funds collected to pay the debt service requirements on bonds and full faith and credit obligations.

Enterprise Fund - Accounts for the operation of the College's bookstore, food service, printing and entrepreneur departments.

ASLBCC, Clubs and Workforce Agency Fund - Accounts for the activities of the student government, clubs and workforce programs.

LINN-BENTON COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
GENERAL FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 6,124,972	\$ 6,124,972	\$ 6,117,513	\$ (7,459)
Tuition and fees	11,113,497	11,113,497	12,149,018	1,035,521
Other local	409,317	409,317	450,388	41,071
Intergovernmental - state and federal	20,173,482	20,173,482	19,828,312	(345,170)
Interest	620,000	620,000	286,037	(333,963)
Other	40,693	40,693	14,960	(25,733)
Total revenues	38,481,961	38,481,961	38,846,228	364,267
Expenditures:				
Personal services	33,648,439	34,777,986	33,734,217	1,043,769
Materials and services	4,827,619	4,827,619	4,305,817	521,802
Capital outlay	2,117,180	2,117,180	102,695	2,014,485
Operating contingency	4,593,373	3,463,826	-	3,463,826
Total expenditures	45,186,611	45,186,611	38,142,729	7,043,882
Revenues over-(under) expenditures	(6,704,650)	(6,704,650)	703,499	7,408,149
Other financing sources-(uses):				
Transfers in	316,013	316,013	263,903	(52,110)
Transfers out	(2,111,363)	(2,111,363)	(1,909,503)	201,860
Total other financing sources-(uses)	(1,795,350)	(1,795,350)	(1,645,600)	149,750
Revenues and other sources over-(under) expenditures and other uses	(8,500,000)	(8,500,000)	(942,101)	7,557,899
Fund balance - July 1, 2008	8,500,000	8,500,000	9,408,694	908,694
Fund balance - June 30, 2009	\$ -	\$ -	\$ 8,466,593	\$ 8,466,593

LINN-BENTON COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
SPECIAL PROJECTS FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Tuition and fees	\$ 267,070	\$ 267,060	\$ 303,069	\$ 36,009
Other local	2,418,830	2,363,811	1,440,506	(923,305)
Intergovernmental - state and federal	3,901,941	4,112,480	3,495,348	(617,132)
Other	-	-	2,998	2,998
Total revenues	<u>6,587,841</u>	<u>6,743,351</u>	<u>5,241,921</u>	<u>(1,501,430)</u>
Expenditures:				
Personal services	4,796,951	4,921,957	3,862,137	1,059,820
Materials and services	1,819,716	1,864,220	1,327,899	536,321
Capital outlay	221,464	221,464	25,034	196,430
Contingency	22,644	22,644	-	22,644
Total expenditures	<u>6,860,775</u>	<u>7,030,285</u>	<u>5,215,070</u>	<u>1,815,215</u>
Revenues over-(under) expenditures	(272,934)	(286,934)	26,851	313,785
Other financing sources-(uses):				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>21,000</u>	<u>(79,000)</u>
Revenues and other sources over-(under) expenditures and other uses	(172,934)	(186,934)	47,851	234,785
Fund balance - July 1, 2008	<u>172,934</u>	<u>186,934</u>	<u>396,891</u>	<u>209,957</u>
Fund balance - June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 444,742</u>	<u>\$ 444,742</u>

LINN-BENTON COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
AUXILIARY FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Tuition and fees	\$ 1,871,719	\$ 1,968,558	\$ 2,021,405	\$ 52,847
Other local	2,142,216	1,988,098	1,407,949	(580,149)
Intergovernmental - state and federal	33,565	36,565	120,967	84,402
Student activities	466,664	507,743	389,011	(118,732)
Other	30,981	33,681	9,847	(23,834)
Total revenues	<u>4,545,145</u>	<u>4,534,645</u>	<u>3,949,179</u>	<u>(585,466)</u>
Expenditures:				
Personal services	2,411,672	2,411,672	1,734,595	677,077
Materials and services	2,871,695	2,871,695	1,812,022	1,059,673
Capital outlay	862,827	862,827	356,695	506,132
Operating contingency	35,847	35,847	-	35,847
Total expenditures	<u>6,182,041</u>	<u>6,182,041</u>	<u>3,903,312</u>	<u>2,278,729</u>
Revenues over-(under) expenditures	<u>(1,636,896)</u>	<u>(1,647,396)</u>	<u>45,867</u>	<u>1,693,263</u>
Other financing sources-(uses):				
Transfers in	92,364	92,364	81,702	(10,662)
Transfers out	(270,923)	(270,923)	(260,962)	9,961
Total other financing sources-(uses)	<u>(178,559)</u>	<u>(178,559)</u>	<u>(179,260)</u>	<u>(701)</u>
Revenues and other sources over-(under) expenditures and other uses	<u>(1,815,455)</u>	<u>(1,825,955)</u>	<u>(133,393)</u>	<u>1,692,562</u>
Fund balance - July 1, 2008	<u>1,815,455</u>	<u>1,825,955</u>	<u>2,004,952</u>	<u>178,997</u>
Fund balance - June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,871,559</u>	<u>\$ 1,871,559</u>

LINN-BENTON COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
FINANCIAL AID FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - state	\$ 3,006,000	\$3,006,000	\$ 2,014,549	\$ (991,451)
Intergovernmental - federal	6,378,812	6,378,812	5,992,902	(385,910)
Scholarships	696,658	696,658	466,753	(229,905)
Interest	11,600	11,600	1,865	(9,735)
Other	1,359,150	1,359,150	1,188,794	(170,356)
Total revenues	11,452,220	11,452,220	9,664,863	(1,787,357)
Expenditures:				
Personal services	342,271	342,271	218,892	123,379
Materials and services	11,747,154	11,747,154	9,594,483	2,152,671
Total expenditures	12,089,425	12,089,425	9,813,375	2,276,050
Revenues over-(under) expenditures	(637,205)	(637,205)	(148,512)	488,693
Other financing sources-(uses):				
Transfers in	386,721	386,721	262,861	(123,860)
Transfers out	(25,300)	(25,300)	(18,175)	7,125
Total other financing sources-(uses)	361,421	361,421	244,686	(116,735)
Revenues and other sources over-(under) expenditures and other uses	(275,784)	(275,784)	96,174	371,958
Fund balance - July 1, 2008	275,784	275,784	180,370	(95,414)
Fund balance - June 30, 2009	\$ -	\$ -	\$ 276,544	\$ 276,544

LINN-BENTON COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
CAPITAL PROJECTS FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - state and federal	\$ 4,236,000	\$ 6,080,750	\$ 1,446,250	\$ (4,634,500)
Other:				
Interest	156,061	156,061	117,011	(39,050)
Miscellaneous	3,200	3,200	64,487	61,287
Total revenues	<u>4,395,261</u>	<u>6,240,011</u>	<u>1,627,748</u>	<u>(4,612,263)</u>
Expenditures:				
Personal services	44,338	44,338	42,786	1,552
Materials and services	1,904,001	3,748,751	2,256,654	1,492,097
Capital outlay	10,340,598	10,340,598	3,756,819	6,583,779
Contingency	7,750	7,750	-	7,750
Total expenditures	<u>12,296,687</u>	<u>14,141,437</u>	<u>6,056,259</u>	<u>8,085,178</u>
Revenues over-(under) expenditures	(7,901,426)	(7,901,426)	(4,428,511)	3,472,915
Other financing sources-(uses):				
Transfers in	<u>1,234,625</u>	<u>1,243,625</u>	<u>1,235,095</u>	<u>(8,530)</u>
Revenues and other sources over-(under) expenditures and other uses	(6,666,801)	(6,657,801)	(3,193,416)	3,464,385
Fund balance - July 1, 2008	<u>6,666,801</u>	<u>6,657,801</u>	<u>6,385,027</u>	<u>(272,774)</u>
Fund balance - June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,191,611</u>	<u>\$ 3,191,611</u>

LINN-BENTON COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
DEBT SERVICE FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 2,142,000	\$ 2,142,000	\$ 2,142,059	\$ 59
Other:				
Miscellaneous	1,743,503	1,743,503	1,784,241	40,738
Interest	28,000	28,000	34,797	6,797
Total revenues	<u>3,913,503</u>	<u>3,913,503</u>	<u>3,961,097</u>	<u>47,594</u>
Expenditures:				
Debt service:				
Principal	2,570,000	2,570,000	2,570,000	-
Interest	1,829,344	1,829,344	1,829,343	1
Operating contingency	300,000	300,000	-	300,000
Total expenditures	<u>4,699,344</u>	<u>4,699,344</u>	<u>4,399,343</u>	<u>300,001</u>
Revenues over-(under) expenditures	(785,841)	(785,841)	(438,246)	347,595
Other financing sources-(uses):				
Transfers in	486,259	486,259	485,840	(419)
Revenues and other sources over-(under) expenditures and other uses	(299,582)	(299,582)	47,594	347,176
Fund balance - July 1, 2008	<u>299,582</u>	<u>299,582</u>	<u>546,850</u>	<u>247,268</u>
Fund balance - June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 594,444</u>	<u>\$ 594,444</u>

LINN-BENTON COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
ENTERPRISE FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales	\$4,751,493	\$4,751,493	\$ 4,793,187	\$ 41,694
Interest	3,500	3,500	3,666	166
Other	9,000	9,000	22,440	13,440
Total revenues	<u>4,763,993</u>	<u>4,763,993</u>	<u>4,819,293</u>	<u>55,300</u>
Expenditures:				
Personal services	1,391,844	1,460,285	1,396,002	64,283
Materials and services	3,971,777	3,971,777	3,331,950	639,827
Capital outlay	179,550	179,550	11,333	168,217
Operating contingency	103,902	35,461	-	35,461
Total expenditures	<u>5,647,073</u>	<u>5,647,073</u>	<u>4,739,285</u>	<u>907,788</u>
Revenues over-(under) expenditures	(883,080)	(883,080)	80,008	963,088
Other financing sources-(uses):				
Transfers out	<u>(207,695)</u>	<u>(207,695)</u>	<u>(161,761)</u>	<u>45,934</u>
Revenues and other sources over-(under) expenditures and other uses	(1,090,775)	(1,090,775)	(81,753)	1,009,022
Fund balance - July 1, 2008	<u>1,090,775</u>	<u>1,090,775</u>	<u>593,245</u>	<u>(497,530)</u>
Fund balance - June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 511,492</u>	<u>\$ 511,492</u>

LINN-BENTON COMMUNITY COLLEGE

Schedule of Revenues, Expenditures and Changes in
Due to Others - Budget and Actual
ASLBCC, CLUBS AND WORKFORCE AGENCY FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fees	\$ 24,401	\$ 24,401	\$ 24,648	\$ 247
Club sources	17,224	17,224	12,865	(4,359)
Intergovernmental	22,000	22,000	19,561	(2,439)
Total revenues	63,625	63,625	57,074	(6,551)
Expenditures:				
Personal services	694	894	723	171
Materials and services	91,908	91,708	57,925	33,783
Operating contingency	23	23	-	23
Total expenditures	92,625	92,625	58,648	33,977
Revenues over-(under) expenditures	(29,000)	(29,000)	(1,574)	27,426
Due to others - July 1, 2008	29,000	29,000	39,345	10,345
Due to others - June 30, 2009	\$ -	\$ -	\$ 37,771	\$ 37,771

LINN-BENTON COMMUNITY COLLEGE

Schedule of Property Tax Transactions
Year Ended June 30, 2009

Tax Year	Uncollected Taxes 7/1/08	2008-09 Levy	Discount Allowed	Interest Earned	Adjustments	Collections	Uncollected Taxes 6/30/09
Benton County:							
2008-09	\$ -	\$4,078,803	\$ 96,742	\$ 1,584	\$ (5,701)	\$ 3,874,893	\$ 103,051
2007-08	78,040	-	-	2,638	(4,751)	42,410	33,517
2006-07	26,188	-	-	1,646	(2,405)	9,539	15,890
2005-06	13,757	-	-	1,586	(1,979)	6,144	7,220
2004-05	6,116	-	-	1,419	(1,704)	4,432	1,399
2003-04	1,631	-	-	219	(299)	510	1,041
2002-03	1,052	-	-	124	(130)	300	746
Prior	9,435	-	-	323	(384)	481	8,893
Totals	<u>136,219</u>	<u>4,078,803</u>	<u>96,742</u>	<u>9,539</u>	<u>(17,353)</u>	<u>3,938,709</u>	<u>171,757</u>
Linn County:							
2008-09	-	4,485,262	112,323	2,129	(18,851)	4,144,155	212,062
2007-08	169,004	-	-	5,307	(7,288)	84,333	82,690
2006-07	64,657	-	-	4,242	(4,385)	26,173	38,341
2005-06	33,304	-	-	4,633	(4,729)	17,994	15,214
2004-05	14,338	-	-	3,190	(3,282)	10,125	4,121
2003-04	2,365	-	-	333	(400)	724	1,574
2002-03	1,252	-	-	163	(353)	301	761
Prior	5,008	-	-	501	(652)	458	4,399
Totals	<u>289,928</u>	<u>4,485,262</u>	<u>112,323</u>	<u>20,498</u>	<u>(39,940)</u>	<u>4,284,263</u>	<u>359,162</u>
Grand Totals	<u>\$426,147</u>	<u>\$8,564,065</u>	<u>\$ 209,065</u>	<u>\$ 30,037</u>	<u>\$ (57,293)</u>	<u>\$ 8,222,972</u>	<u>\$ 530,919</u>

INDEPENDENT AUDITOR'S COMMENTS

INDEPENDENT AUDITOR'S COMMENTS

Internal Control

Our report on the College's internal control over financial reporting is presented elsewhere in this Annual Financial 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, 2009 and June 30, 2010, and the execution of its budget for the fiscal year ended June 30, 2009,
- ORS Chapter 279 in the awarding of public contracts and the construction of public improvements, and
- the appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies,

except as follows:

- The College's 2008-09 total budget appropriations for the ASLBCC, Clubs and Workforce Agency Fund were increased by more than 10 percent of the total estimated expenditures approved by the budget committee without republishing the budget in violation of ORS 294.435(1).

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.

***DISCLOSURES IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS AND OMB CIRCULAR A-133***