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LINN-BENTON COMMUNITY COLLEGE

June 30, 2004

Board of Education

<u>Official</u>	<u>Address</u>	<u>Office</u>
Thomas Wogaman	2159 NW Beechwood Place Corvallis, OR 97330	Chair
Joseph Novak	3383 Summerhill Place Albany, OR 97321	Vice Chair
Hal Brayton	P.O. Box 691 Lebanon, OR 97355	Member
Ann Brodie	3145 NW Seneca Place Corvallis, OR 97330	Member
Janice Horner, CPA	39181 Highway 228 Sweet Home, OR 97386	Member
Marshall Johnson	1645 Ninth Avenue SE #171 Albany, OR 97321	Member
Rich Wendland	23197 Old Peak Road Philomath, OR 97370	Member

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Linn-Benton Community College's (the College) Comprehensive Annual Financial Report (CAFR) presents an analysis of the financial position and activities of the College for the fiscal year ended June 30, 2004. 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.

New 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. This is the first year that the college's financial activities are being presented in this analysis in a comparative format with two years of data. The financial statements also include the College's independent Foundation as of December 31, 2003 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 four parts-management's discussion and analysis(this section), the basic financial statements, other supplemental information and the statistical section which provides trends of historical 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 although overall net assets remain positive.
- The *Statement of Cash Flows* presents information on cash flows from operating activities, noncapital financial 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, 2004 shows assets of \$86,582,274, liabilities of \$56,127,025 and net assets of \$30,455,249, which was an increase from the prior year of \$5,384,595. This was due primarily to a senate bill passed by the Oregon legislature that delayed the final quarterly payment to community colleges. The final payment of \$4,180,105 was received in July 2003 and therefore is not included in any of the college's financial statements for fiscal year 2002-03. Over the two-year period net assets decreased \$1,125,132.

In response to continuing state funding declines, -10% in FY2004, the college made deliberate and thoughtful changes to the FY2004 budget, including increasing tuition charges 16% and general fund service reductions over \$2.8 million. This has caused a drop in full time equivalent enrollment as class sections have been eliminated and those remaining are at near capacity.

The FY2005 budget was prepared to address the limited access to classes by increasing instructional capacity with additions to the General Fund budget of \$750,000.

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.

In order to reduce the costs increases from the Public Employees Retirement System, the college prepaid a portion of its unfunded actuarial liability by issuing pension obligation bonds for \$29,235,000.

Current assets include a significant amount of cash and investments from the unspent bond proceeds from the February 2001 and 2002 issues. These assets will be used to upgrade facilities on the main campus and add a multi-purpose classroom building.

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)

	2004	2003
Assets		
Current assets	\$ 24,720	\$ 22,816
Capital assets, net of depreciation	31,421	28,787
Pension Assets	28,180	0
Other noncurrent assets	2,262	1,929
Total assets	<u>\$ 86,583</u>	<u>\$ 53,532</u>

Liabilities

Current liabilities	\$ 5,427	\$ 5,999
Long-term debt, non-current portion	46,604	18,261
Other non-current liabilities	4,096	4,201
Total liabilities	<u>\$ 56,127</u>	<u>\$ 28,461</u>

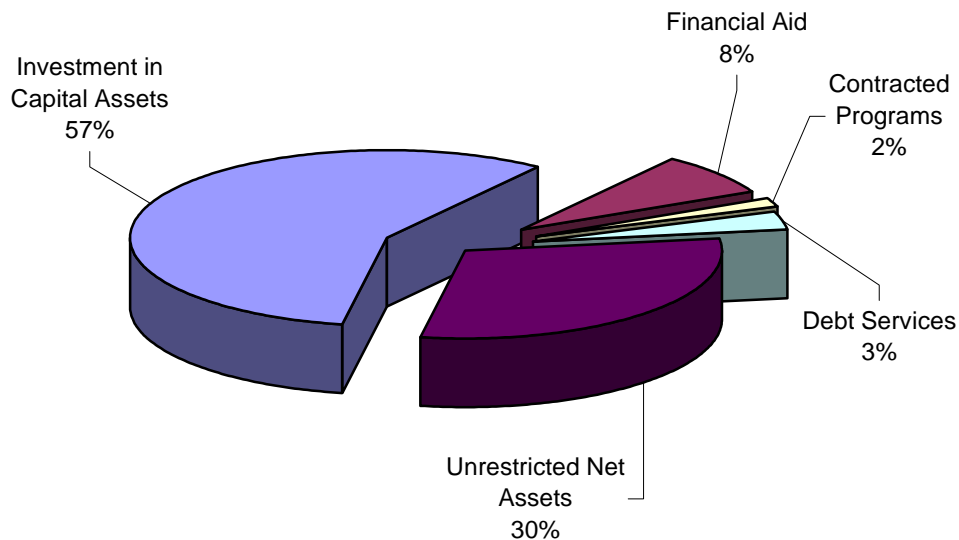
Net Assets

Invested in capital assets, net of related debt	\$ 17,541	\$ 18,279
Restricted	3,842	3,194
Unrestricted	9,072	3,598
Total net assets	<u>\$ 30,455</u>	<u>\$ 25,071</u>

Current assets include cash and investments from operations, including a significant amount of cash and investments from the unspent bond proceeds from February 2002 bond issue. The college's current assets of \$24.7 million are sufficient to cover the college's current liabilities of \$5.4 million. This represents a current ratio of 4.60. 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 \$31.4 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, deferred revenue from tuition and fees, the current portion of the long-term debt on bonds and compensated absences. The non-current liabilities consist mainly of long-term debt from the issuance of general obligation bonds and the new pension obligation bonds long-term debt of 29.2 million.

The largest portion of the college's net assets is the \$17.5 million invested in capital assets. During 2003-2004 the college completed a \$5.0 million project to improve and expand the Benton Center in Corvallis, and move an expanded Sweet Home Center into dedicated space in the new Sweet Home High School. The college's restricted net assets consist of amounts set aside for student financial aid grants and loans, debt services and capital projects. 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 6/30/04:



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).

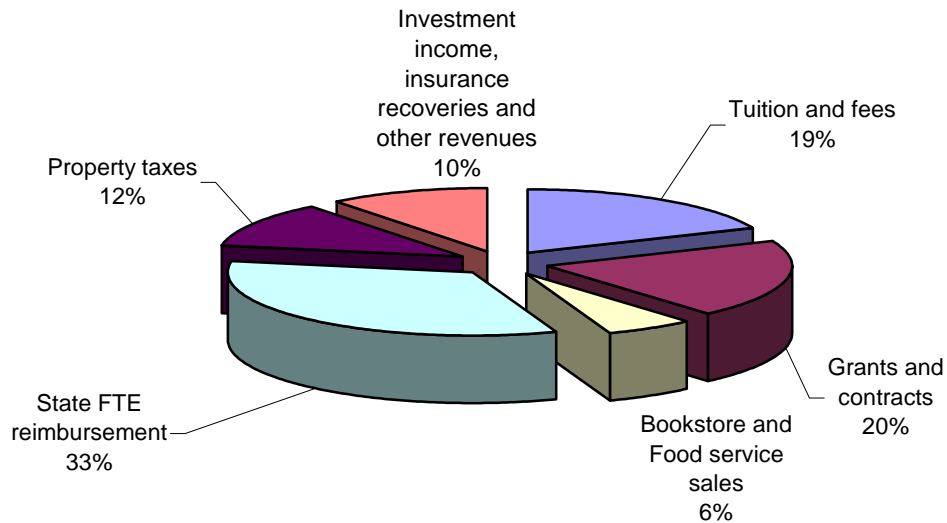
Changes in Linn-Benton Community College's Net Assets
(in thousands of dollars)

	2004	2003	Total Percentage Change 2003-2004
Revenues:			
Tuition and fees	\$ 10,446	\$ 9,091	14.9%
Student Financial Aid	6,925	6,205	11.6%
Intergovernmental grants /contracts	4,223	4,423	(4.5)%
Bookstore Sales	2,684	2,649	1.3%
Food Service Sales	647	675	(4.1)%
Other operating revenue	3,417	2,951	15.8%
Total operating revenue	28,342	25,994	9.0%
State community college support	18,668	10,760	73.5%
Property Taxes	6,685	6,638	0.7%
Other intergovernmental sources	153	109	39.4%
Insurance recoveries	1,229	0	-
Interest income	1,048	498	210.5%
Total non operating revenue	27,783	18,005	54.3%
Total revenues	56,125	43,999	27.6%
Expenses:			
Instruction	21,115	22,710	(7.0)%
Instructional support	2,830	2,791	1.4%
College support services	9,728	9,131	6.5%
Student services	2,876	2,828	1.7%
Community services	194	214	(9.3)%
Scholarships and grants	7,962	7,071	12.6%
Plant operations	2,871	2,655	8.1%
Depreciation	1,637	1,626	0.6%
Total operating expenses	49,213	49,026	0.4%
Interest expense	1,500	1,005	49.3%
Amortization of bond issue costs	5	0	-
Loss on disposal of capital assets	96	2	4525.4%
Total non operating expenses	1,601	1,007	59.0%
Total expenses	50,814	50,033	1.6%
Excess/(deficiency) before special items	5,311	(6,034)	-
Capital contributions	74	181	(59.4)%
Increase/(decrease) in net assets	\$ 5,385	\$ (5,853)	21.5%

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 \$10,445,854, an increase of 14.9% due to a rate increase of 16.2%. Student financial aid increased at a slower rate of 11.6% and intergovernmental grants and contracts fell 4.5%. Revenue from bookstore sales totaled \$2,684,312.

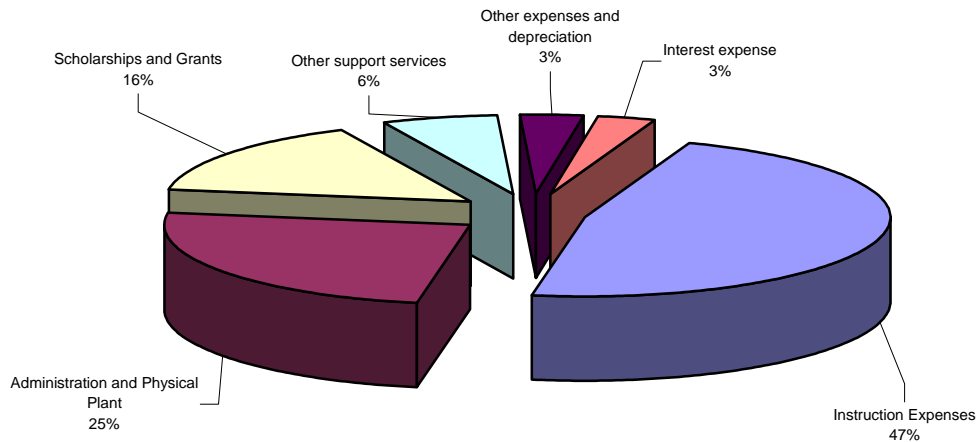
The largest non-operating revenue source is from the State of Oregon. Annually, the state appropriates funding for community colleges. The college received \$18,667,675 for FTE reimbursement allocation in this fiscal year. This amount is \$7,907,665 more than the college received in fiscal year 2002-03. This is a result of a senate bill passed by the Oregon legislature that delayed the final 2002-2003 quarterly payment to community colleges. The final payment of \$4,180,105 was received in July 2003 and therefore is not included in any of the college's financial statements for fiscal year 2002-03. FY2003-04 had four quarterly payments plus the delayed payment from 2002-03. Additional nonoperating revenues of \$6,685,368 were received from property taxes the college levied, an increase of just under 1.0%. The following graph shows the allocation of revenues for the college:



Expenses:

Expenses for FY2003-2004 increased by 1.6% to \$50,814,025. Academic services represent the largest percentage of total expenses totaling \$23,945,184, although expenses for direct instruction were reduced from the prior year by 7.0%. This was the result of reduction in classes offered because of reduced state funds. Grants and scholarships awarded to students totaled \$7,962,002 which was a 12.6% increase. Interest expense increased 49.3% because of a pension bond financing.

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)	
	2004	2003
Cash Provided By (Used In):		
Operating Activities	\$ (20,174)	\$ (19,760)
Noncapital Financing Activities	26,269	17,524
Capital Financing Activities	(6,744)	(4,164)
Investing Activities	963	500
Net increase(decrease) in cash	314	(5,900)
Cash -- Beginning of year	17,179	23,079
Cash -- End of year	\$ 17,493	\$ 17,179

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 new 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 a pension bond sale and payment of proceeds to the Public Employees Retirement System and the purchase of capital assets and principal and interest on long-term debt.

Budgetary Highlights

Linn-Benton Community College adopts an annual budget at the fund level. The level of control established through a Board resolution for each fund is the sub-object level (i.e., Personal Services, Materials and Services, Capital Outlay, Debt Service, and Operating Contingencies). The college generally budgets each governmental fund type under the modified accrual basis of accounting and the working capital non GAAP basis for proprietary funds. Transfers to appropriations between existing budget categories can be authorized by resolution of the Linn-Benton Board of Education.

Capital Assets and Debt Administration

Capital Assets

The college's investment in capital assets as of June 30, 2004 amounts to \$31,421,485 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 renovation of the historic Benton Center campus and the replacement of computer infrastructure. 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 increased \$28,419,078 during the current fiscal year. The primary increase is due to issuance of pension obligation bonds. At the end of the current fiscal year, the college had total debt outstanding of \$53,666,570. Of this amount \$20,188,610 comprises general obligation bonds; \$29,235,000 in pension obligation bonds; \$2,906,148 in early retirement, \$130,000 in lease purchase certificates of participation; \$16,600 in Capital leases and \$1,190,212 in vested compensated absences.

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 \$182,322,678, which is significantly higher than the college's outstanding general obligation debt. The college's outstanding general obligation debt is approximately 11.1% 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 2003-2004 fiscal year the college received approximately \$7.9 million dollars more in state revenue than fiscal year 2002-2003. The primary difference was from the change in the payment structure of the state FTE reimbursement. The final payment for 2002-03 of \$4,180,105 was paid to the college in July 2003 instead of April 2003. After factoring out the delayed payment strategy of the Oregon Legislature, a reduction of 2.5% in state support was realized in FY2004. In addition, the college as well as all agencies participating in the Oregon Public Employee's Retirement system are facing increases in employee rates due to the economic downturn and drop in stock prices during 2001 and 2002. 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.

The budget for 2004-2005 recognized that the prior years decreases in expenditures was a contributing factor in limiting access to students and FTE losses. Additional instructional capacity was added in the most critical areas. The college also increased tuition and fees by \$6 per credit hour to \$56 per credit hour. Budgeted general fund expenditures were increased by \$0.75 million to add instructional capacity. In spite of the college's history of solid financial planning through the use of a long range financial plan, college administration recognizes that the difficult economic times facing the college will continue into the future. In order to provide the access that our students and community desire, we must strike a thoughtful balance between cost of tuition and fees with having sufficient resources to deliver quality services.

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

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements Year Ended June 30, 2004

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 Statement Nos. 34 and 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, 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 \$390,049, other contributions of \$299,456 and capital asset donations of \$217,370 for the benefit of the College. The College provided personnel and administrative contributions to the Foundation totaling \$254,460 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, obligations of the U.S. Government and its agencies, and bank repurchase agreements, 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, U.S. government and agencies securities and bankers' acceptances, which are exempt from statutes requiring such insurance.

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

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 \$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.

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, 2004

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) Early Retirement

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 charged as expenses as benefits accrue.

(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, 2004:

Cash on hand	\$ 161,824
Cash with County Treasurer	58,644
Deposits with financial institutions	82,067
Investments	<u>19,333,447</u>
Total cash and investments	<u><u>\$19,635,982</u></u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

2 - CASH AND INVESTMENTS: (Contd)

Deposits

Deposits with financial institutions are bank demand deposits. The total bank balance, as shown on the banks' records at June 30, 2004, is \$1,140,064. Of these deposits, \$123,044 was covered by federal depository insurance, and \$1,017,020 was collateralized with certificates of participation. Oregon laws require municipal corporations to obtain certificates of participation issued by a pool manager for amounts on deposit in excess of federal depository insurance, and the College held certificates totaling \$7,000,000 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.

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

At June 30, 2004, the College's investments consisted of:

Category 2 investments:	
U.S. government and agencies securities	\$ 2,142,720
Investments not subject to categorization:	
Investment in Oregon Local Government	
Investment Pool	<u>17,190,727</u>
Total investments	<u><u>\$19,333,447</u></u>

There is no material difference between the fair value of the College's position in the Oregon Local Government Investment Pool and the College's participant balance at June 30, 2004.

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

2 - CASH AND INVESTMENTS: (Contd)

Foundation Cash and Investments

The Foundation's cash and investments of \$662,590 shown as current assets at December 31, 2003, consist of demand deposits and money market accounts.

The Foundation's investments of \$4,059,062 shown as noncurrent assets at December 31, 2003, consist of mutual funds, equity securities and debt securities. Foundation investments are carried at fair value.

The Foundation maintains bank accounts at two institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 each. Cash at these institutions exceeded federally insured limits by \$140,956 and \$1,430, respectively, at December 31, 2003.

The Foundation maintains its investments with the investment firm Edward Jones and 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 Protections Corporation (SIPC) up to a maximum of \$500,000. However, investments at Edward Jones exceeded the insured limits by \$2,212,333 at December 31, 2003, and investments at Commonfund exceeded the insured limits by \$1,121,068 at December 31, 2003.

3 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003 as restated	Increases	Decreases	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 2,752,670	\$ 64,726	\$ 50,393	\$ 2,767,003
Capital assets being depreciated:				
Buildings and improvements	34,639,282	4,158,393	620,652	38,177,023
Equipment and vehicles	13,237,720	619,265	1,247,512	12,609,473
Total capital assets being depreciated	47,877,002	4,777,658	1,868,164	50,786,496
Less accumulated depreciation for:				
Buildings and improvements	11,715,323	876,076	254,715	12,336,684
Equipment and vehicles	10,127,826	761,054	1,093,550	9,795,330
Total accumulated depreciation	21,843,149	1,637,130	1,348,265	22,132,014
Total capital assets being depreciated, net	26,033,853	3,140,528	519,899	28,654,482
Total capital assets, net	<u>\$ 28,786,523</u>	<u>\$ 3,205,254</u>	<u>\$ 570,292</u>	<u>\$ 31,421,485</u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

4 - LONG-TERM OBLIGATIONS:

Changes in 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 Matured and Paid
General obligation						
bonds payable	\$ 21,046,838	\$ 881,772	\$ 1,740,000	\$ 20,188,610	\$ 1,823,106	\$ 59,600
Pension bonds payable	-	29,235,000	-	29,235,000	-	546,765
Certificates of participation	155,000	-	25,000	130,000	30,000	12,594
State energy loan	67,849	-	67,849	-	-	2,421
Capital leases	29,790	-	13,190	16,600	6,175	2,160
Early retirement obligation	2,951,660	739,258	784,770	2,906,148	832,035	-
Vacation payable	996,355	1,190,212	996,355	1,190,212	275,576	-
Total	\$ 25,247,492	\$ 32,046,242	\$ 3,627,164	\$ 53,666,570	\$ 2,966,892	\$ 623,540

Bonds payable additions include \$881,772 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 4.07% to 5.15% and 3.15% 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 3.35% to 5.53%.

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

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>
2004-05	\$ 960,500	\$ 39,500	\$ 1,000,000
2005-06	971,223	83,777	1,055,000
2006-07	977,566	132,434	1,110,000
2007-08	929,161	175,839	1,105,000
2008-09	885,426	219,574	1,105,000
2009-10	865,460	269,540	1,135,000
2010-11	829,965	315,035	1,145,000
2011-12	801,169	368,831	1,170,000
2012-13	769,716	420,284	1,190,000
2013-14	735,375	469,625	1,205,000
2014-15	712,578	527,422	1,240,000
2015-16	<u>684,495</u>	<u>575,505</u>	<u>1,260,000</u>
Total	<u>\$ 10,122,634</u>	<u>\$ 3,597,366</u>	<u>\$ 13,720,000</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>
2004-05	\$ 862,606	\$ 27,394	\$ 890,000
2005-06	872,822	62,178	935,000
2006-07	839,862	100,138	940,000
2007-08	857,757	147,243	1,005,000
2008-09	864,727	200,273	1,065,000
2009-10	850,179	249,821	1,100,000
2010-11	853,006	306,994	1,160,000
2011-12	841,415	363,585	1,205,000
2012-13	827,610	427,390	1,255,000
2013-14	819,114	495,886	1,315,000
2014-15	796,415	558,585	1,355,000
2015-16	<u>780,463</u>	<u>629,537</u>	<u>1,410,000</u>
Total	<u>\$ 10,065,976</u>	<u>\$ 3,569,024</u>	<u>\$ 13,635,000</u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

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>
2004-05	\$ -	\$ 1,562,186	\$ 1,562,186
2005-06	-	1,562,186	1,562,186
2006-07	-	1,562,186	1,562,186
2007-08	110,000	1,562,186	1,672,186
2008-09	185,000	1,558,503	1,743,503
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>\$ 29,235,000</u>	<u>\$ 28,487,146</u>	<u>\$ 57,722,146</u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

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>
2004-05	\$ 1,823,106	\$ 1,629,080	\$ 3,452,186
2005-06	1,844,045	1,708,141	3,552,186
2006-07	1,817,428	1,794,758	3,612,186
2007-08	1,896,918	1,885,268	3,782,186
2008-09	1,935,153	1,978,350	3,913,503
2009-10	1,980,639	2,071,186	4,051,825
2010-11	2,037,971	2,163,121	4,201,092
2011-12	2,092,584	2,258,027	4,350,611
2012-13	2,152,326	2,352,792	4,505,118
2013-14	2,224,489	2,444,283	4,668,772
2014-15	2,303,993	2,532,639	4,836,632
2015-16	2,389,958	2,612,743	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>\$49,423,610</u>	<u>\$35,653,536</u>	<u>\$85,077,146</u>

Certificates of Participation

The College has one issue of general obligation Certificates of Participation outstanding at June 30, 2004, which financed the construction of the Family Resource Center. It bears interest at 8.125%, and has the following maturities:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004-05	\$ 30,000	\$ 10,562	\$ 40,562
2005-06	30,000	8,125	38,125
2006-07	35,000	5,687	40,687
2007-08	35,000	2,844	37,844
Total	<u>\$130,000</u>	<u>\$27,218</u>	<u>\$157,218</u>

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

4 - LONG-TERM OBLIGATIONS: (Contd)

Capital Leases

The College has entered into two capital lease agreements as lessee for financing the acquisition of equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The following is a summary of equipment leased under capital leases as of June 30, 2004:

	<u>Lease Obligation</u>	<u>Equipment Carrying Value</u>
General Obligation Capital Leases:		
Xerox color copier	\$ 13,493	\$ 11,949
Xerox X-12 Fiery copier	3,107	2,630
Total	<u>\$ 16,600</u>	<u>\$ 14,579</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2004, were as follows:

2004-05	\$ 7,614
2005-06	7,613
2006-07	<u>3,686</u>
	18,913
Less amounts representing interest	<u>(2,313)</u>
Total	<u>\$ 16,600</u>

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 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.

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

5 - RETIREMENT PLAN: (Contd)

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 rate through February 2004 was 10.24%. Beginning in March 2004, the College's rate was reduced to 1.97% due to the issuance of Series 2004 limited tax pension obligation bonds. Beginning in September 2003, 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 \$1,320,113, \$1,852,270 and \$1,831,910, 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 2003-04 fiscal year, changes in the pension asset were as follows:

Asset balance - July 1, 2003	\$ -
Net pension bond proceeds transferred to PERS	28,046,303
Investment income	721,938
Contributions to cost sharing pool	<u>(588,656)</u>
Asset balance - June 30, 2004	<u>\$ 28,179,585</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 City/County Insurance Services Trust and pays an annual premium to the Trust for its general and automobile liability and automobile physical damage coverage. Under the membership agreement with the Trust, the Trust 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.

LINN-BENTON COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2004

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.
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 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.

9 - RESTATEMENT:

The July 1, 2003 net assets balance has been restated as follows:

Net assets - July 1, 2003, as originally reported	\$ 25,727,651
Restatement of accumulated depreciation	<u>(656,997)</u>
Net assets - July 1, 2003, as restated	<u><u>\$ 25,070,654</u></u>

LINN-BENTON COMMUNITY COLLEGE

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

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 4,941,658	\$ 4,941,658	\$ 4,981,126	\$ 39,468
Tuition and fees	8,770,000	8,770,000	9,083,748	313,748
Other local	717,572	717,572	660,864	(56,708)
Intergovernmental - state and federal	14,655,713	14,330,713	15,233,557	902,844
Other	40,693	40,693	74,828	34,135
Total revenues	29,125,636	28,800,636	30,034,123	1,233,487
Expenditures:				
Personal services	25,625,678	24,813,719	24,385,158	428,561
Materials and services	4,170,856	4,381,756	4,063,424	318,332
Capital outlay	115,180	548,180	146,851	401,329
Operating contingency	2,905,551	2,748,610	-	2,748,610
Total expenditures	32,817,265	32,492,265	28,595,433	3,896,832
Revenues over-(under) expenditures	(3,691,629)	(3,691,629)	1,438,690	5,130,319
Other financing sources-(uses):				
Insurance recoveries	-	-	1,478,996	1,478,996
Transfers in	288,953	288,953	282,588	(6,365)
Transfers out	(985,165)	(985,165)	(902,489)	82,676
Total other financing sources-(uses)	(696,212)	(696,212)	859,095	1,555,307
Revenues and other sources over-(under) expenditures and other uses	(4,387,841)	(4,387,841)	2,297,785	6,685,626
Fund balance - July 1, 2003	4,387,841	4,387,841	4,802,366	414,525
Fund balance - June 30, 2004	\$ -	\$ -	\$ 7,100,151	\$ 7,100,151

LINN-BENTON COMMUNITY COLLEGE

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

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Tuition and fees	\$ 159,200	\$ 159,200	\$ 218,261	\$ 59,061
Other local	2,978,233	2,939,559	1,260,665	(1,678,894)
Intergovernmental - state and federal	4,038,479	4,131,043	3,394,787	(736,256)
Other	19,486	19,486	19,233	(253)
Total revenues	<u>7,195,398</u>	<u>7,249,288</u>	<u>4,892,946</u>	<u>(2,356,342)</u>
Expenditures:				
Personal services	5,174,362	5,232,783	3,479,448	1,753,335
Materials and services	2,307,955	2,328,721	1,570,363	758,358
Capital outlay	293,033	293,033	56,798	236,235
Total expenditures	<u>7,775,350</u>	<u>7,854,537</u>	<u>5,106,609</u>	<u>2,747,928</u>
Revenues over-(under) expenditures	<u>(579,952)</u>	<u>(605,249)</u>	<u>(213,663)</u>	<u>391,586</u>
Other financing sources-(uses):				
Transfers in	800	800	-	(800)
Transfers out	(6,345)	(6,345)	(6,345)	-
Total other financing sources-(uses)	<u>(5,545)</u>	<u>(5,545)</u>	<u>(6,345)</u>	<u>(800)</u>
Revenues and other sources over-(under) expenditures and other uses	<u>(585,497)</u>	<u>(610,794)</u>	<u>(220,008)</u>	<u>390,786</u>
Fund balance - July 1, 2003	<u>585,497</u>	<u>610,794</u>	<u>727,465</u>	<u>116,671</u>
Fund balance - June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 507,457</u>	<u>\$ 507,457</u>

LINN-BENTON COMMUNITY COLLEGE

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

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Tuition and fees	\$ 1,200,731	\$ 1,205,426	\$ 1,143,845	\$ (61,581)
Other local	2,433,703	2,395,178	1,545,993	(849,185)
Intergovernmental - state	19,300	19,300	15,334	(3,966)
Student activities	417,192	437,192	297,407	(139,785)
Other	13,481	17,311	39,236	21,925
Total revenues	<u>4,084,407</u>	<u>4,074,407</u>	<u>3,041,815</u>	<u>(1,032,592)</u>
Expenditures:				
Personal services	2,183,331	2,183,331	1,200,328	983,003
Materials and services	2,195,933	2,195,933	1,230,402	965,531
Capital outlay	726,784	726,784	113,399	613,385
Operating contingency	23,000	23,000	-	23,000
Total expenditures	<u>5,129,048</u>	<u>5,129,048</u>	<u>2,544,129</u>	<u>2,584,919</u>
Revenues over-(under) expenditures	<u>(1,044,641)</u>	<u>(1,054,641)</u>	<u>497,686</u>	<u>1,552,327</u>
Other financing sources-(uses):				
Transfers in	6,345	6,345	6,345	-
Transfers out	(215,389)	(215,389)	(206,450)	8,939
Total other financing sources-(uses)	<u>(209,044)</u>	<u>(209,044)</u>	<u>(200,105)</u>	<u>8,939</u>
Revenues and other sources over-(under) expenditures and other uses	<u>(1,253,685)</u>	<u>(1,263,685)</u>	<u>297,581</u>	<u>1,561,266</u>
Fund balance - July 1, 2003	<u>1,253,685</u>	<u>1,263,685</u>	<u>1,403,584</u>	<u>139,899</u>
Fund balance - June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,701,165</u>	<u>\$ 1,701,165</u>

LINN-BENTON COMMUNITY COLLEGE

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

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - state	\$ 706,000	\$ 706,000	\$ 775,265	\$ 69,265
Intergovernmental - federal	5,583,148	5,908,148	5,759,878	(148,270)
Scholarships	385,000	385,000	390,093	5,093
Interest	11,500	11,500	744	(10,756)
Other	762,250	762,250	996,577	234,327
Total revenues	7,447,898	7,772,898	7,922,557	149,659
Expenditures:				
Personal services	351,976	351,976	287,655	64,321
Materials and services	7,666,767	7,991,767	7,909,788	81,979
Total expenditures	8,018,743	8,343,743	8,197,443	146,300
Revenues over-(under) expenditures	(570,845)	(570,845)	(274,886)	295,959
Other financing sources-(uses):				
Transfers in	350,460	350,460	267,784	(82,676)
Transfers out	(8,500)	(8,500)	(4,932)	3,568
Total other financing sources-(uses)	341,960	341,960	262,852	(79,108)
Revenues and other sources over-(under) expenditures and other uses	(228,885)	(228,885)	(12,034)	216,851
Fund balance - July 1, 2003	228,885	228,885	174,699	(54,186)
Fund balance - June 30, 2004	\$ -	\$ -	\$ 162,665	\$ 162,665

LINN-BENTON COMMUNITY COLLEGE

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

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other:				
Interest	\$ 227,000	\$ 227,000	\$ 154,210	\$ (72,790)
Miscellaneous	1,800	1,800	29,786	27,986
Total revenues	<u>228,800</u>	<u>228,800</u>	<u>183,996</u>	<u>(44,804)</u>
Expenditures:				
Personal services	93,293	93,703	84,418	9,285
Materials and services	1,890,950	1,890,950	566,885	1,324,065
Capital outlay	12,432,147	12,431,737	4,506,890	7,924,847
Total expenditures	<u>14,416,390</u>	<u>14,416,390</u>	<u>5,158,193</u>	<u>9,258,197</u>
Revenues over-(under) expenditures	(14,187,590)	(14,187,590)	(4,974,197)	9,213,393
Other financing sources-(uses):				
Transfers in	<u>591,225</u>	<u>591,225</u>	<u>585,014</u>	<u>(6,211)</u>
Revenues and other sources over-(under) expenditures and other uses	(13,596,365)	(13,596,365)	(4,389,183)	9,207,182
Fund balance - July 1, 2003	<u>13,604,115</u>	<u>13,604,115</u>	<u>13,523,889</u>	<u>(80,226)</u>
Fund balance - June 30, 2004	<u>\$ 7,750</u>	<u>\$ 7,750</u>	<u>\$ 9,134,706</u>	<u>\$ 9,126,956</u>

LINN-BENTON COMMUNITY COLLEGE

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

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes	\$ 1,734,600	\$ 1,734,600	\$ 1,747,596	\$ 12,996
Other:				
Miscellaneous	-	800,000	508,468	(291,532)
Interest	20,000	20,000	18,462	(1,538)
Total revenues	<u>1,754,600</u>	<u>2,554,600</u>	<u>2,274,526</u>	<u>(280,074)</u>
Expenditures:				
Personal services	-	29,195,000	28,046,303	1,148,697
Materials and services - bond issue costs	-	340,000	331,926	8,074
Debt service:				
Principal	1,797,130	1,797,130	1,832,849	(35,719)
Interest	110,300	660,300	621,380	38,920
Total expenditures	<u>1,907,430</u>	<u>31,992,430</u>	<u>30,832,458</u>	<u>1,159,972</u>
Revenues over-(under) expenditures	<u>(152,830)</u>	<u>(29,437,830)</u>	<u>(28,557,932)</u>	<u>879,898</u>
Other financing sources-(uses):				
Proceeds from bond sale	-	29,285,000	29,235,000	(50,000)
Transfers in	107,830	107,830	107,830	-
Total other financing sources-(uses)	<u>107,830</u>	<u>29,392,830</u>	<u>29,342,830</u>	<u>(50,000)</u>
Revenues and other sources over-(under) expenditures and other uses	(45,000)	(45,000)	784,898	829,898
Fund balance - July 1, 2003	<u>45,000</u>	<u>45,000</u>	<u>129,442</u>	<u>84,442</u>
Fund balance - June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 914,340</u>	<u>\$ 914,340</u>

LINN-BENTON COMMUNITY COLLEGE

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

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales	\$4,141,187	\$4,141,187	\$ 4,013,315	\$ (127,872)
Interest	2,500	2,500	2,441	(59)
Other	9,000	9,000	1,559	(7,441)
Total revenues	<u>4,152,687</u>	<u>4,152,687</u>	<u>4,017,315</u>	<u>(135,372)</u>
Expenditures:				
Personal services	1,219,686	1,225,942	1,197,437	28,505
Materials and services	3,803,497	3,803,497	2,758,601	1,044,896
Capital outlay	203,890	203,890	37,811	166,079
Operating contingency	25,248	18,992	-	18,992
Total expenditures	<u>5,252,321</u>	<u>5,252,321</u>	<u>3,993,849</u>	<u>1,258,472</u>
Revenues over-(under) expenditures	(1,099,634)	(1,099,634)	23,466	1,123,100
Other financing sources-(uses):				
Transfers out	(130,214)	(130,214)	(129,345)	869
Revenues and other sources over-(under) expenditures and other uses	(1,229,848)	(1,229,848)	(105,879)	1,123,969
Fund balance - July 1, 2003	<u>1,229,848</u>	<u>1,229,848</u>	<u>939,508</u>	<u>(290,340)</u>
Fund balance - June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 833,629</u>	<u>\$ 833,629</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, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Fees	\$ 34,358	\$ 34,358	\$ 17,635	\$ (16,723)
Club sources	12,223	12,223	15,956	3,733
Intergovernmental	95,000	95,000	125,892	30,892
Other	114,819	114,819	6,578	(108,241)
Total revenues	256,400	256,400	166,061	(90,339)
Expenditures:				
Personal services	80,109	80,352	47,321	33,031
Materials and services	193,105	193,105	126,947	66,158
Capital outlay	2,000	2,000	-	2,000
Operating contingency	674	431	-	431
Total expenditures	275,888	275,888	174,268	101,620
Revenues over-(under) expenditures	(19,488)	(19,488)	(8,207)	11,281
Due to others - July 1, 2003	19,488	19,488	95,699	76,211
Due to others - June 30, 2004	\$ -	\$ -	\$ 87,492	\$ 87,492

LINN-BENTON COMMUNITY COLLEGE

Schedule of Property Tax Transactions
Year Ended June 30, 2004

Tax Year	Uncollected Taxes 7/1/03	2003-04 Levy	Discount Allowed	Interest Earned	Adjustments	Collections	Uncollected Taxes 6/30/04
Benton County:							
2003-04	\$ -	\$ 3,281,781	\$ 73,999	\$ 1,761	\$ (4,902)	\$ 3,136,068	\$ 68,573
2002-03	91,013	-	-	4,429	(16,000)	51,914	27,528
2001-02	33,253	-	-	3,425	(4,673)	18,557	13,448
2000-01	14,788	-	-	2,491	(2,889)	8,517	5,873
1999-00	5,173	-	-	1,256	(1,551)	3,408	1,470
1998-99	1,061	-	-	84	(243)	95	807
1997-98	829	-	-	79	(125)	135	648
Prior	9,144	-	-	239	(407)	224	8,752
Totals	<u>155,261</u>	<u>3,281,781</u>	<u>73,999</u>	<u>13,764</u>	<u>(30,790)</u>	<u>3,218,918</u>	<u>127,099</u>
Linn County:							
2003-04	-	3,448,799	85,204	2,131	(9,277)	3,190,613	165,836
2002-03	178,549	-	-	6,734	(15,175)	88,472	81,636
2001-02	83,227	-	-	5,977	(7,298)	34,508	47,398
2000-01	46,602	-	-	7,416	(8,197)	26,937	18,884
1999-00	15,274	-	-	3,989	(5,217)	11,332	2,714
1998-99	3,611	-	-	1,109	(1,860)	1,826	1,034
1997-98	2,102	-	-	956	(1,134)	1,644	280
Prior	4,558	-	-	486	(495)	378	4,171
Totals	<u>333,923</u>	<u>3,448,799</u>	<u>85,204</u>	<u>28,798</u>	<u>(48,653)</u>	<u>3,355,710</u>	<u>321,953</u>
Grand Totals	<u>\$489,184</u>	<u>\$6,730,580</u>	<u>\$ 159,203</u>	<u>\$ 42,562</u>	<u>\$ (79,443)</u>	<u>\$ 6,574,628</u>	<u>\$ 449,052</u>

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.