



Comprehensive Annual Financial Report

For the year ended June 30, 2008

Portland, Oregon

PORTLAND COMMUNITY COLLEGE

PORTLAND, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2008

Preston Pulliams, Ed.D.
District President

Randy J. McEwen, MS
District Vice President

Wing-Kit Chung, CPA, MBA
Vice President

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PORTLAND COMMUNITY COLLEGE

12000 Southwest 49th Avenue
Portland, OR 97219

For the year ended June 30, 2008

<u>ZONE</u>	<u>BOARD OF DIRECTORS</u>	<u>TERM EXPIRES</u>
1	Denise Frisbee, Chair	June 30, 2009
2	Harold C. Williams, Vice Chair	June 30, 2011
3	Bob Palmer	June 30, 2011
4	Jim Harper	June 30, 2009
5	David Squire	June 30, 2011
6	Jaime Lim	June 30, 2009
7	Marilyn McGlasson	June 30, 2011

ADMINISTRATION

Preston Pulliams, Ed.D. District President
Randy J. McEwen, MS, District Vice President
Wing-Kit Chung, CPA, MBA, Vice President
Cherie Chevalier, MBA, Associate Vice President of Finance
James H. Crofts, CPA, Accounting Services Manager

PORTLAND COMMUNITY COLLEGE

PORTLAND, OREGON

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December 15, 2008

Board of Directors
Portland Community College
Portland, Oregon

INTRODUCTION

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Portland Community College (the College) for the fiscal year ended June 30, 2008, together with the audit opinion thereon of our auditors as required by Oregon State Laws. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the College. We believe the financial statements and related information are stated fairly in all material aspects in reflecting the financial position and results of operations of the College. All disclosures necessary to enable the reader to gain maximum understanding of the College's financial affairs have been included.

This report consists of management's representations concerning the finances of the College. To provide a reasonable basis for making these representations, management of the College has established a comprehensive internal control framework that is designed both to protect the College's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the College's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefit, the College's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

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

We divided this report into four sections: (1) The Introductory Section includes this transmittal letter, which contains an overview of the College and factors affecting the financial condition of the College; (2) The Financial Section includes the basic financial statements and accompanying notes as well as other supplemental information. It also includes the auditor's report on the basic financial statements; (3) The Statistical Section includes selected financial, economic and demographic information, generally presented on a multi-year basis; (4) The Audit Section includes the audit comments and disclosures required by the minimum standards for audits of Oregon Municipal Corporations, the Schedule of Expenditures of Federal Awards and related reports on internal control and compliance.

The College's CAFR has been prepared in accordance with accounting principles generally accepted in the United States of America as set forth by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, and other recognized standard setting bodies. A summary of significant accounting policies is found in the notes accompanying the basic financial statements.

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District President

Dr. Preston Pulliams

An Affirmative Action,
Equal Employment
Opportunity Institution

The budget is both a legal and operational plan for the financial operations to be conducted during the coming fiscal year and is adopted, prior to July 1 of each biennial period, by the Board of Directors after consideration by the College Budget Committee. After adoption, the budget may be revised periodically through procedures specified by state statute and board policy. Budgetary controls are maintained through monitoring expenditures on various legally adopted appropriation levels. Depending upon the budget structure, the appropriation levels may be classified by cost centers, such as campus and division; by programs; by fund source, such as federal or state grants; or by object classification, such as personal services, materials and supplies, capital outlay, operating transfers and contingency. Budget-to-actual comparisons are provided in this report as part of the Other Supplementary Information in the Financial Section.

The College

Located in Portland, Oregon, Portland Community College, with a District of over 1,500 square miles serves all or part of Multnomah, Washington, Yamhill, Clackamas and Columbia counties. The College was originally chartered in 1961 as a part of Portland School District No. 1, and was established as an independent entity in 1968, pursuant to Oregon Revised Statutes Chapter 341.

An elected seven-member Board of Directors establishes the policies of the College. Each member of the Board of Directors is elected for a four-year term. The Portland Community College Board has statutory charge and control of all activities, operations and programs of the College including its property, personnel and finances. The District President is the Chief Executive Officer of the College and the administrative staff is responsible for the College's daily operations.

The Oregon State Board of Education establishes state standards for educational programs and facilities, approves courses of study, and adopts regulations for Oregon's community college system. Additionally, the Commissioner of the Department of Community Colleges and Workforce Development serves as administrative officer for the state of Oregon in community college matters.

Mission, Vision and Values. The College's mission, as adopted by the Board of Directors, is to provide quality educational programs and services that are affordable and accessible. The College provides education in an atmosphere that encourages the full realization of each individual's potential. The College offers students of all ages, races, cultures, economic levels, and previous educational experience opportunities for personal growth and attainment of their goals. The vision of the College is building futures for our students and communities.

The College believes that certain fundamental values characterize the institution and guide us in the accomplishment of our mission and goals. As a college community, we value the dignity and worth of each individual, effective teaching, open and honest communication, teamwork and cooperation, an environment that encourages the expression of original ideas and creative solutions, and the effective and ethical use of public funds.

The College's Educational Master Plan (EMP) builds on the College's mission, vision and values. The EMP's focus is on the continuous development of educational programs and services that will meet the needs of our students and the communities the College serves. The EMP aims to provide courses, programs and services that are rigorous, high quality and innovative. Transfer and career technical education anchor the curriculum and are complemented by programs that provide instruction in developmental education and adult basic skills, workforce preparation and training, and courses that promote lifelong learning.

Campus Information. The College operates three comprehensive campuses and the Extended Learning Campus. Each provides lower-division college transfer courses, two-year associate degree programs and career/technical training programs.

The Cascade Campus is located in the urban heart of the city of Portland and serves more than 15,400 students representing approximately 4,700 FTE each year in a diverse, lively and close-knit

neighborhood. The campus offers a full array of educational offerings, including the first two years of courses leading to a bachelor's degree and a variety of opportunities for degrees and certificates in career technical programs.

The Rock Creek Campus sits about 15 miles west of downtown Portland in the rapidly growing Beaverton-Hillsboro area of Washington County. The 256-acre campus provides a beautiful setting for college transfer and career and technical programs and annually serves over 16,400 students or almost 5,300 FTE. The campus provides a model for successful partnerships with area high schools. The campus also provides classes at other locations. A smaller center located in Hillsboro provides community education programs and selected credit courses. The center is designed to meet the needs for computer education, customized training courses and English as a Second Language program.

The Sylvania Campus is located in suburban southwest Portland surrounded by Lake Oswego, Tigard and Portland. It is the largest campus, serving over 25,000 students or almost 9,200 FTE this fiscal year. Sylvania is home for the College's nursing and dental programs, which have national reputations for excellence. Sylvania also provides college transfer and career technical programs as well as developmental education courses.

The Extended Learning Campus not only provides credit offerings, but adult basic education, job training and retraining, small business development, life enrichment courses, adult and continuing education, literacy, and contracted short-term training for business and industry. Annually, almost 50,000 people representing approximately 4,300 FTE participate in the Extended Learning Campus programs in training centers and community settings throughout the five-county district. The Extended Learning Campus operates four major facilities throughout the district. A new facility currently under construction adjacent to the Willow Creek Westside Light Rail station will provide enhanced service and easy access for the Washington County community. This facility, constructed in part with \$7.5 million in matching funds from the State of Oregon, will replace the Washington County Workforce Training Center which was recently purchased by the Beaverton School District.

Local Economy

The Portland metropolitan area's unemployment rate as of June 2008, was 5.2%, up from 4.2% one year ago. Over the past year, the area has added 4,800 jobs, a 0.5% increase. Most broad sectors added jobs, but at a slower pace than normal for this time of year. Although the unemployment rate has increased in the past year, there is significant local demand for skilled workers. In May 2008 there were an estimated 26,222 job vacancies in the Portland Metro area, and vacancies requiring education beyond high school made up 43% of all open jobs. More than half of all vacancies required a license or certificate.

Oregon's unemployment rate was 5.5% in June, 2008, up from 5.2% compared to the prior year. The same areas which have been pressuring the U.S. economy over the past year are also taking their toll on the Oregon economy. The combined softening impacts of housing, financial, and energy markets are causing widespread slowing in job markets. Employment sectors that lost jobs in the second quarter include construction, manufacturing, retail trade, information, financial activities, and leisure and hospitality.

Looking to the future, while Oregon does not have an official agency that dates recessions, the Oregon State Office of Economic Analysis (OEA) believes that Oregon is currently in recession. The OEA official forecast projects the fourth quarter of 2008 and first three quarters of 2009 will continue to have drops in employment. Recently the unemployment rate in Oregon has risen significantly and currently stands at 8.1%. This forecast projects that the Oregon economy will not start to recover until the first half of 2010 while noting the depth and length of the current recession to be particularly difficult to forecast.

The State budget allocation for all 17 community colleges in the state was approved by the legislature in June 2007 of \$500 million for the biennium ended June 2009. The College's share of the state support represents approximately \$63.5 million for this fiscal year and \$63.8 million for the next fiscal year. The allocation to individual colleges is based on a formula approved by the State Board of Education which adopted two basic principles for formula allocation that the College supported:

- Allocations should be done based on total public resources as defined to include both income tax (State General Fund) and all the property tax levied by the Oregon community colleges, excluding the local option levies.
- Each community college student, regardless of where he/she goes to school, should have the benefit of approximately the same amount of total public resources. To achieve this principle, the State Board of Education adopted a six-year implementation plan, the so-called move to equity which began in 2006. When the student FTE figures are finalized for the 17 community colleges in Oregon every fall, they will be run through the allocation formula that will provide for equity among all community colleges.

Additionally, the state provides resources restricted to certain programs which total approximately \$13.9 million for the biennium. Some of the large state-funded contracts and grants include the Public School Dropout Recovery Program and the Steps to Success Program.

Another major piece of revenue comes from student tuition and fees. Tuition and fee revenue accounts for approximately 38% of the total General Fund operating resources. The total revenue from tuition and fees is \$49.3 million for this fiscal year and is estimated at \$50.6 million for next fiscal year.

The College also received property tax revenue to support ongoing operating costs and debt repayment of approximately \$40.5 million in fiscal year 2007, a slight increase from \$39.1 million in the prior fiscal year. In fact over the last five years, property tax revenues have remained a relatively stable amount representing between 18% and 20% of total revenues for the College. Of the total property tax revenue amount in the current year, approximately \$17.9 million or 44% are monies associated with debt repayment in 2008.

The College has proactively managed its budget based on reasonable projections of future funding. This enables the College to continue to meet its student-centered mission. The College has initiated a long term planning process to ensure the financial viability of the College. An internal Budget and Planning Advisory Committee (BPAC) serves as part of the College's budget development process with committee membership including students, faculty, academic professionals, classified staff, managers and the President's Cabinet.

Long-Term Financial Planning

The population in Oregon counties in the Portland metro area is expected to increase from 1.57 million in 2000 to 1.8 million in 2010, a 15% increase. Current projections indicate that by 2020 the area will increase another 14% to a total population of 2.05 million. Population increases are anticipated in most age groups. However, a noticeable shift is expected in the age distribution of the population given a significant increase in the 50+ age brackets. Increases in the older age brackets are projected to impact the College's workforce development, healthcare, and community and continuing education programs. Other occupations with significant increases in projected employment include Architectural Drafting, Landscaping Operations and Management, Heating/Air Conditioning & Refrigeration, and Veterinary Technology.

The Portland metro area has a 19% minority population (2000 Census) up from 11% reported in 1990. This increased diversity is also reflected at the College where minorities currently make up 26.8% of the College credit student population and 59.9% of the students enrolled in non-credit Adult Basic Education and English for Speakers of Other Languages (ESOL) courses. Although population projections for the five county area do not include race/ethnicity, the current elementary school population which is 33%

minority, serves as a leading indicator of the College's future community and student populations. The College anticipates the demand for pre-college basic skills such as ESOL and Developmental Education courses as well as college transfer and career/technical courses to increase as the population grows.

Construction projects financed by general obligation bonds approved by District voters in November 2000 have been completed. Because of the completion of these construction projects, the College increased the monies for capital maintenance by \$400,000 per year for fiscal year 2008 and 2009 to keep deferred facilities maintenance backlog at a manageable level.

On November 4, 2008 Portland area voters approved a \$374 million bond measure to provide for expansions in academic space and college programs within the five county College district. The bond will expand workforce training programs, build "green" buildings and renovate older buildings to be more energy efficient, update equipment, make health and safety upgrades, increase classroom space to serve more students and open education and training Centers in Newberg and at Willow Creek in Hillsboro.

Accreditation

The Northwest Commission on Colleges and Universities (NWCCU) granted accreditation to Portland Community College in 1970. In June 2005, the NWCCU reaffirmed the accreditation of the College, based on the comprehensive, full scale evaluation and visit that took place in April 2005. The Oregon Department of Education has approved all of the career-technical programs and college transfer courses. Professional associations have also accredited those career-technical programs that require approval.

Independent Audits

The provisions of Oregon Revised Statutes, Section 297.405 to 297.555 require an independent audit of the fiscal affairs of the College. The firm of Talbot, Korvola & Warwick, LLP, which was selected by the Board of Directors, has completed their examination of the College's basic financial statements and, accordingly, has included their Independent Auditor's Report in the Financial Section of this CAFR.

The Single Audit Act and OMB Circular A-133 require state and local governments that receive and expend directly or indirectly certain amounts in federal assistance to have an audit conducted for that year. In addition, the College issues a separate report on the requirements of the Single Audit Act. Included in this report are a Schedule of Expenditures of Federal Awards, required reports on internal controls and compliance with laws and regulations, and a schedule of findings and questioned costs.

Awards


The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Portland Community College for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. The College has achieved this prestigious award since 1992. In order to be awarded a Certificate of Achievement, the College must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the College also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the biennial period beginning July 1, 2007. The College has earned this award since 2001. In order to qualify for the Distinguished Budget Presentation Award, Portland Community College's budget document was judged to be proficient in several categories that include its use as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgements

We wish to express our appreciation to the entire Financial Services staff for their efforts and contributions to this Comprehensive Annual Financial Report. We greatly appreciate the representatives from the College Bookstore and the Print Center for their support in the preparation of this report. We further extend our thanks to the staff of Talbot, Korvola and Warwick, LLP for their efforts during this audit. We would also like to thank the members of the Board of Directors, the District President, the Campus Presidents, faculty and staff for their continued support and dedication to the financial operations of the College.


Respectfully submitted,



Preston Pulliams
District President



Wing-Kit Chung
Vice President of Administrative Services



Cherie Chevalier
Associate Vice President of Finance



James Crofts
Accounting Services Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Portland Community College
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

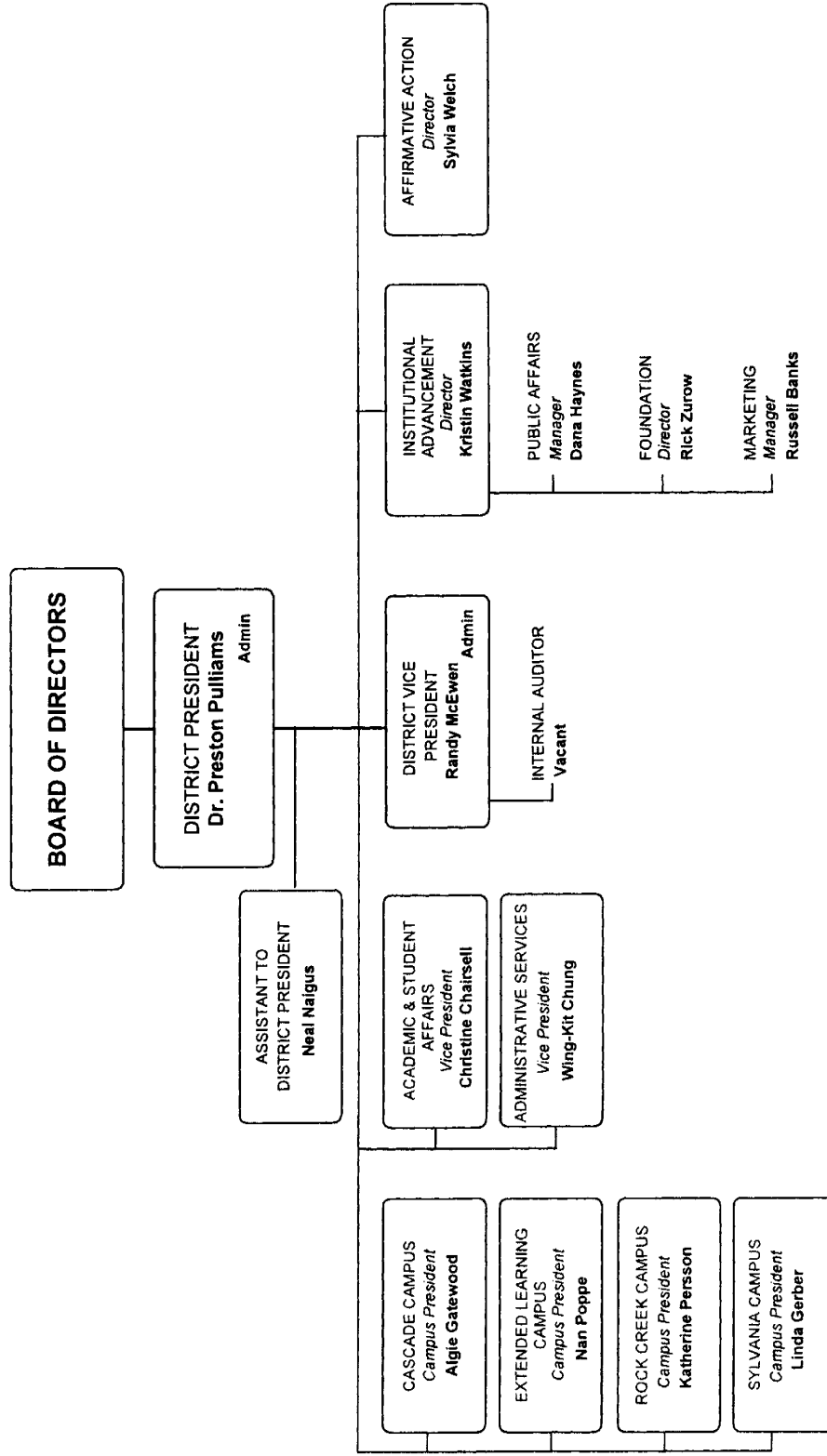
President

Jeffrey R. Emer

Executive Director

PORTLAND COMMUNITY COLLEGE

Administrative Organization





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INDEPENDENT AUDITOR'S REPORT

December 15, 2008

Board of Directors
Portland Community College
Portland, Oregon

We have audited the accompanying basic financial statements of Portland Community College (the College), as of and for the years ended June 30, 2008 and 2007, as listed in the Table of Contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College, as of June 30, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report December 15, 2008, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the College, taken as a whole. The Supplementary Information, as listed in the Financial Section of the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as listed in the Audit Section of the Table of Contents, is presented for purposes of additional analysis as required by the U. S. Office of

Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such Supplementary Information and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2008, and, in our opinion, are fairly stated in all material respects in relation to the 2008 basic financial statements taken as a whole.

The accompanying Introductory and Statistical Sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By


Angelique Whitlow, Partner



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Portland Community College's (the College) Comprehensive Annual Financial Report (CAFR) presents an analysis of the financial activities of the College for the fiscal years ended June 30, 2008, 2007 and 2006. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with them. 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 and known facts, and any resulting changes.

FINANCIAL HIGHLIGHTS

The major events of fiscal year ended June 30, 2008 that have impacted the College are as follows:

- Full-time equivalent students (FTE) increased from 23,011 in 2007 to 23,794 in 2008. The total headcount of students increased from 86,164 in 2007 to 86,730 in 2008. More information about enrollment is available in the Statistical Section of this CAFR.
- FTE reimbursement from the State of Oregon increased from \$42.1 million to \$81.2 million. The increase was caused by the Oregon Legislature's deferral of its eighth quarter reimbursement from April 2007 to July 2007 and increases in individual reimbursements. The deferrals were enacted in 2003 and are scheduled to occur on alternate years so that the State can balance its biennial budget. There is further explanation of the deferral and its impact in the revenue section of this analysis.
- Cash and investments have increased \$34.4 million from the prior period to \$96.4 million at the current year end. More information is available about cash and investments in the Statements of Net Assets and the Notes to Basic Financial Statements.
- The College has increased its net assets from \$140.6 million in 2007 to \$182.3 million in 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to Portland Community College's basic financial statements, which include entity-wide financial statements prepared in accordance with the accrual basis of accounting and notes to the basic financial statements. Following the basic financial statements is Other Supplementary Information in the Financial Section along with a Statistical Section and an Audit Section.

The entity-wide financial statements are designed to provide readers with a broad overview of the College's finances, in a manner similar to a private-sector business. These entity-wide statements consist of comparative (1) Statements of Net Assets, (2) Statements of Revenues, Expenses and Changes in Net Assets and (3) Statements of Cash Flows which are described and analyzed in the following sections of the overview. Notes to Basic Financial Statements are required to complete the entity-wide statements, and are an integral component of the basic financial statements.

Analysis of Net Assets

The Statements of Net Assets (page 11) present information on all of the College's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net

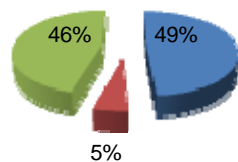
Portland Community College
Fiscal year ended June 30, 2008

assets are indicators of the improvement or erosion of the College's financial health when considered along with non-financial facts such as enrollment levels and the condition of the facilities. The Statements of Net Assets includes all assets and liabilities of the College using the accrual basis of accounting, which is similar to the accounting presentation used by most private colleges.

Net Assets (in millions)					
	<u>2008</u>	<u>2007</u>	<u>Increase (decrease) 2008-07</u>	<u>2006</u>	<u>Increase (decrease) 2007-06</u>
Assets					
Current assets	\$ 125.8	\$ 90.7	\$ 35.1	\$ 99.5	\$ (8.8)
Capital assets, net of depreciation	219.6	226.7	(7.1)	228.8	(2.1)
Other noncurrent assets	114.7	114.8	(0.1)	114.9	(0.1)
Total assets	\$ 460.1	\$ 432.2	\$ 27.9	\$ 443.2	\$ (11.0)
Liabilities					
Current liabilities	\$ 49.4	\$ 48.6	\$ 0.8	\$ 47.0	\$ 1.6
Noncurrent liabilities	228.4	243.0	(14.6)	256.8	(13.8)
Total liabilities	277.8	291.6	(13.8)	303.8	(12.2)
Net assets					
Invested in capital assets, Net of related debt	89.7	84.6	5.1	80.6	4.0
Restricted	9.0	9.0	-	9.0	-
Unrestricted	83.6	47.0	36.6	49.8	(2.8)
Total net assets	182.3	140.6	41.7	139.4	1.2
Total liabilities and net assets	\$ 460.1	\$ 432.2	\$ 27.9	\$ 443.2	\$ (11.0)

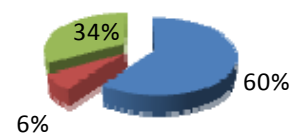
2008 Net assets - \$182.3 million

- Invested in capital assets, net of related debt \$89.7
- Restricted \$9.0
- Unrestricted \$83.6



2007 Net assets - \$140.6 million

- Invested in capital assets, net of related debt \$84.6
- Restricted \$9.0
- Unrestricted \$47.0



Fiscal year 2008 compared to 2007. Net Assets increased \$41.7 million from \$140.6 million in 2007 to \$182.3 million in 2008. Current assets increased by \$35.1 million. Current assets of \$125.8 million were more than sufficient to cover current liabilities of \$49.4 million. This represents a current ratio of 2.5. The College's current liabilities consist primarily of payroll, interest and various payables for operations, and the current portion of long-term debt. Currently, \$89.7 million is invested in capital assets, net of related debt and represents an increase of \$5.1 million from the prior year. The College uses capital assets to provide services to students; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The majority of the debt used to acquire the capital assets will be paid off over the next several years by the voter-approved property tax levy in 2000. This levy is not subject to the constitutional limitations set by Ballot Measures 5 and 50.

Restricted net assets are the amounts set aside for student financial aid grants and loans. Unrestricted net assets are used for the continuing operations of the College.

Fiscal year 2007 compared to 2006. Net Assets increased \$1.2 million from \$139.4 million in 2006 to \$140.6 million in 2007. Current assets decreased by \$8.8 million. A portion of this amount was moved to long term investments to increase the amount of interest earnings due to more favorable interest rate and the balance of the decrease was due to the final disbursement of bond funds for capital construction. Current assets of \$90.7 million were more than sufficient to cover current liabilities of \$48.6 million. This represents a current ratio of 1.9. The College's current liabilities consist primarily of payroll, interest and various payables for operations, and the current portion of long-term debt. In 2007, \$84.6 million was invested in capital assets, net of related debt and represents an increase of \$4.0 million from the prior year.

Analysis of Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets (page 12) present 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 of when the cash is received or disbursed. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The utilization of long-lived assets is reflected in the financial statements as depreciation, which amortizes the cost of the capital asset over the expected useful life. Revenues and expenses are reported as either operating or non-operating, with operating revenues primarily coming from tuition and fees, and federal grants. State appropriations, property taxes and student financial aid are classified as the primary 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.

Portland Community College
Fiscal year ended June 30, 2008

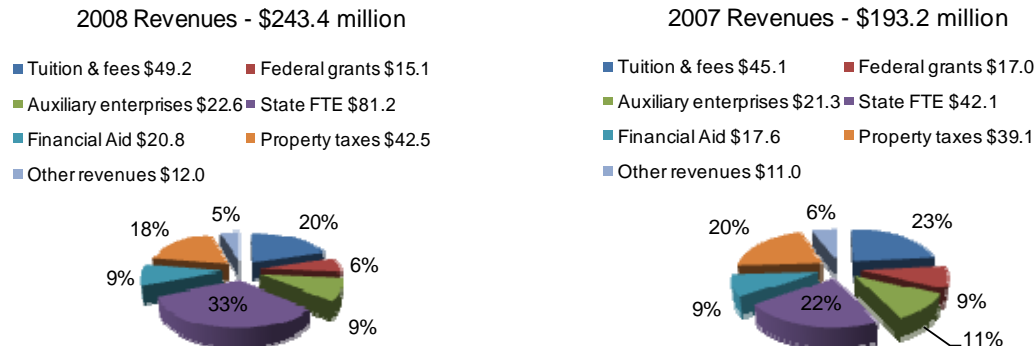
Changes in Net Assets (In Millions)

	2008	2007	Increase (decrease) 2008-07	2006	Increase (decrease) 2007-06
Operating revenues					
Student tuition and fees	\$ 49.2	\$ 45.1	\$ 4.1	\$ 41.2	\$ 3.9
Federal contracted programs	15.1	17.0	(1.9)	16.8	0.2
Auxiliary enterprises and other	22.6	21.3	1.3	20.8	0.5
Total operating revenues	<u>86.9</u>	<u>83.4</u>	<u>3.5</u>	<u>78.8</u>	<u>4.6</u>
Operating expenses					
Educational and general	105.4	98.6	6.8	91.9	6.7
Administrative services and physical plant	25.4	22.7	2.7	32.9	(10.2)
Grants and contracted programs	24.8	25.7	(0.9)	24.5	1.2
Auxiliary enterprises	16.2	14.9	1.3	14.2	0.7
Depreciation	6.1	5.9	0.2	5.5	0.4
Other support services	12.0	11.2	0.8	9.7	1.5
Total operating expenses	<u>189.9</u>	<u>179.0</u>	<u>10.9</u>	<u>178.7</u>	<u>0.3</u>
Operating income (loss)	<u>(103.0)</u>	<u>(95.6)</u>	<u>(7.4)</u>	<u>(99.9)</u>	<u>4.3</u>
Nonoperating revenues (expenses)					
State FTE reimbursement	81.2	42.1	39.1	66.7	(24.6)
Property taxes	42.5	39.1	3.4	37.7	1.4
Federal financial aid	20.8	17.6	3.2	17.5	0.1
Other nonoperating revenues	12.0	11.0	1.0	9.1	1.9
Other nonoperating expenses	(11.8)	(13.0)	1.2	(11.0)	(2.0)
Total nonoperating revenues (expenses)	<u>144.7</u>	<u>96.8</u>	<u>47.9</u>	<u>120.0</u>	<u>(23.2)</u>
Increase (decrease) in net assets	41.7	1.2	40.5	20.1	(18.9)
Net assets, beginning of year	140.6	139.4	1.2	119.3	20.1
Net assets, end of year	<u>\$ 182.3</u>	<u>\$ 140.6</u>	<u>\$ 41.7</u>	<u>\$ 139.4</u>	<u>\$ 1.2</u>
Total revenues	\$ 243.4	\$ 193.2	\$ 50.2	\$ 209.8	\$ (16.6)
Total expenses	<u>201.7</u>	<u>192.0</u>	<u>9.7</u>	<u>189.7</u>	<u>2.3</u>
Increase (decrease) in Net Assets	<u>\$ 41.7</u>	<u>\$ 1.2</u>	<u>\$ 40.5</u>	<u>\$ 20.1</u>	<u>\$ (18.9)</u>

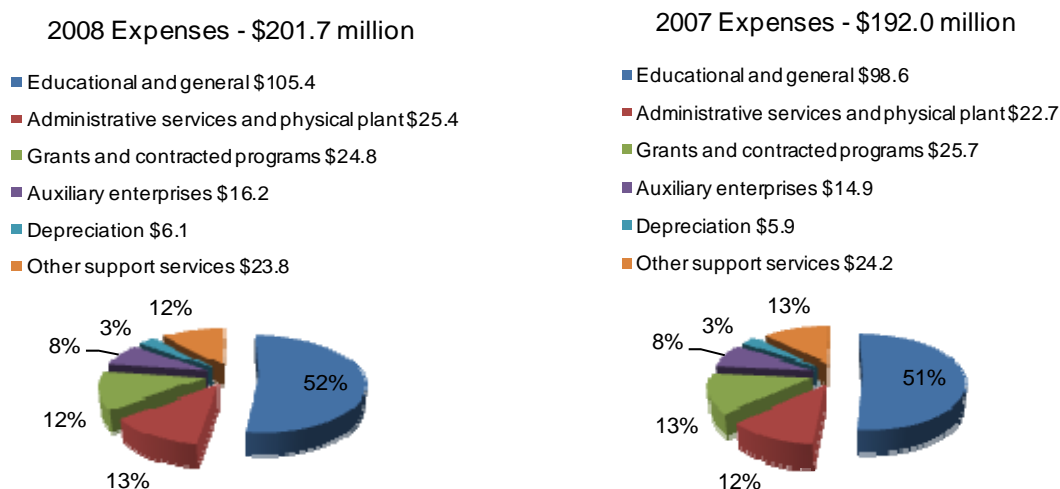
Portland Community College
Fiscal year ended June 30, 2008

The Statements of Revenues, Expenses and Changes in Net Assets show the operating results of the College, as well as the non-operating revenues and expenses. Annual FTE reimbursements, property taxes, and student federal financial aid, while budgeted for operations, are considered non-operating revenues according to accounting principles generally accepted in the United States of America (GAAP).

The following graphics show the allocation of total revenues for fiscal years 2008 and 2007:



The following graphics show the allocation of total expenses for fiscal years 2008 and 2007:



Fiscal year 2008 compared to 2007. The most significant source of operating revenues is tuition and fees, followed by federal grants and auxiliary services. Operating revenues increased by \$3.5 million, or 4%, which reflects increases in the tuition rate and program expansion in some areas of the College. Auxiliary enterprises consist of operations that furnish goods or services to students, faculty, staff or the general public and charge a fee directly related to the cost of these goods or services. They include food services, bookstore and parking operations and are intended to be self-supporting. Auxiliary enterprises and other revenues increased \$1.3 million from the prior year to \$22.6 million.

The largest non-operating revenue source is the State of Oregon which funds FTE reimbursements.

Portland Community College
Fiscal year ended June 30, 2008

Operating expenses increased by \$10.9 million overall. Educational expenses are the largest single line item and increased by about \$6.8 million, or 6%, to \$105.4 million.

Fiscal year 2007 compared to 2006. The most significant source of operating revenues is tuition and fees, followed by federal grants and auxiliary services. Operating revenues increased by \$4.6 million, or 6%, which reflects increases in the tuition rate and program expansion in some areas of the College. Auxiliary enterprises consist of operations that furnish goods or services to students, faculty, staff or the general public and charge a fee directly related to the cost of these goods or services. They include food services, bookstore and parking operations and are intended to be self-supporting. Auxiliary enterprises and other revenues increased \$0.5 million from the prior year to \$21.3 million.

The largest non-operating revenue source is the State of Oregon which funds FTE reimbursements. The College was able to increase its investment earnings by about \$0.9 million despite reduced cash because of improving interest rates.

Operating expenses increased by \$0.3 million overall, but administrative and plant services decreased \$10.2 million due in part to expenses relating to the bulk of construction activity at the College happening in 2006. Educational expenses are the largest single line item and increased by about \$6.7 million, or 7%, to \$98.6 million.

Analysis of Cash Flows

The primary purpose of the Statements of Cash Flows (page 13 & 14) is to provide relevant information about cash receipts and cash payments, which is a basis to assess the financial health of the College. The statements present information on cash flows from operating activities, non-capital financial activities, capital financing activities and investing activities. They provide the net increase or decrease in cash between the beginning and end of the fiscal year, and assist the evaluation of financial viability, the College's ability to meet financial obligations as they become due, and the need for external financing.

Cash Flow (in millions)					
	2008	2007	Increase (decrease) 2008-07	2006 Restated	Increase (decrease) 2007-06
Cash provided by (used in)					
Operating activities	\$ (96.3)	\$ (88.4)	\$ (7.9)	\$ (92.5)	\$ 4.1
Noncapital financing activities	143.7	98.8	44.9	120.4	(21.6)
Capital financing activities	(16.9)	(22.9)	6.0	(26.8)	3.9
Investing activities	(23.3)	12.1	(35.4)	(13.1)	25.2
Net increase (decrease) in cash	7.2	(0.4)	7.6	(12.0)	11.6
Cash and cash equivalents, beginning of year	17.3	17.7	(0.4)	29.7	(12.0)
Cash and cash equivalents, end of year	<u>\$ 24.5</u>	<u>\$ 17.3</u>	<u>\$ 7.2</u>	<u>\$ 17.7</u>	<u>\$ (0.4)</u>

Fiscal year 2008 compared to 2007. Operating Activities: The College's major sources of cash included in operating activities are student tuition and fees, federal grants and auxiliary enterprises. Major uses of cash were payments made to employees and suppliers. The College used \$7.9 million more in cash in its operating activities than the prior year.

Portland Community College
Fiscal year ended June 30, 2008

Noncapital Financing Activities: State FTE reimbursements, property taxes, and student financial aid are the primary sources of noncapital financing. Accounting standards require that these sources of revenue be reported as nonoperating even though the College depends on these revenues to continue the current level of operations.

Capital Financing Activities: Cash used in capital financing activities decreased by \$6.0 million. This decrease is due in part to cash provided by the sale of the Washington County Workforce Training Center for \$5.3 million which offset the cash used for capital purchases.

Investing Activities: Declining interest rates and the increased purchase of investments are primarily responsible for the \$35.4 million decrease in cash provided by investing activities.

Fiscal year 2007 compared to 2006. **Operating Activities:** The College's major sources of cash included in operating activities are student tuition and fees, federal grants and auxiliary enterprises. Major uses of cash were payments made to employees and suppliers. The College used \$4.1 million less in cash in its operating activities than the prior year.

Capital Financing Activities: Cash used in capital financing activities decreased by \$3.9 million. This decrease is due in part to the wrap up of the bond funded capital projects.

Investing Activities: Favorable interest rates and the sale of investments are primarily responsible for the \$25.2 million increase in cash provided by investing activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The College's investment in capital assets as of June 30, 2008, was \$220 million, net of accumulated depreciation. Investment in capital assets includes land, buildings, improvements, machinery and equipment, art and historical treasures, library collections and infrastructure.

Additional information on the College's capital assets can be found in Note 3 of the Notes to Basic Financial Statements.

Debt Administration. At the end of the current fiscal year, the College had debt instruments with a total outstanding principal of \$243.5 million. Of this amount, \$241.9 million comprises debt backed by the full faith and credit of the College within the limitation of Sections 11 and 11(b) of Article XI of the Oregon Constitution; approximately \$1.5 million is certificates of participation, which are a certified interest in a lease purchase agreement; and approximately \$56,000 is in the form of a utility note payable.

State statutes limit the amount of general obligation debt the College may issue to 1.5 percent of Real Market Value of properties within the College district. The current legal debt limit is approximately \$2.5 billion, which is significantly higher than the College's outstanding general obligation debt. The College's outstanding general obligation debt of \$127.1 million is roughly 5% of the legal debt limit. Additional information on the College's long-term debt can be found in Note 4 of the Notes to Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During fiscal year 2008, the College received \$39.1 million more in state revenue than fiscal year 2007. The primary difference was from the payment structure of the state FTE reimbursement.

The College proactively manages its financial position and adopts budgetary guidelines and principles that address cost reductions and revenue enhancement. Since its formation in 1961, the College has adopted its budget on an annual basis in accordance with the requirement of Oregon Budget Law. In 2001, the State Legislature amended Local Budget Law allowing municipalities to adopt a budget for a

Portland Community College
Fiscal year ended June 30, 2008

period of 24 months (a biennial budget). On January 18, 2007 the Board passed Resolution 07-044 granting the District President the authority to prepare and submit a 24 month biennial budget commencing July 1, 2007.

The College adopted a balanced budget for the biennial period beginning July 1, 2007, that includes a \$1 per credit hour tuition increase in the first year and \$2 per credit hour increase beginning July 1, 2008.

During fiscal year 2009, the College intends to sell a portion of the \$374 million in bonds authorized by the District's voters in November 2008. The proceeds will finance certain real estate transactions.

REQUESTS FOR INFORMATION

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

Financial Services
Portland Community College
P.O. Box 6119
Aloha, OR 97007-0119

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

STATEMENTS OF NET ASSETS
June 30,
(In Thousands)

	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,437	\$ 17,196
Restricted cash and cash equivalents	38	38
Short-term investments	68,553	42,984
Prepaid pension obligation, current portion	1,693	1,653
Receivables:		
Taxes	1,895	1,546
Accounts	1,496	1,783
Student accounts	18,108	17,117
Federal programs	6,942	6,420
Interest	720	269
Inventory and prepaid items	1,840	1,674
Total current assets	<u>125,722</u>	<u>90,680</u>
Noncurrent assets:		
Long-term investments	3,385	1,800
Prepaid pension obligation	110,061	111,754
Bond issuance costs	1,221	1,246
Capital assets - non-depreciable	31,594	30,111
Capital assets - depreciable	248,039	251,695
Less: Accumulated depreciation	<u>(59,972)</u>	<u>(55,037)</u>
Total noncurrent assets	<u>334,328</u>	<u>341,569</u>
TOTAL ASSETS	<u>\$ 460,050</u>	<u>\$ 432,249</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,828	\$ 3,360
Payroll liabilities	13,979	12,846
Accrued interest payable	1,102	1,151
Deferred revenue	8,059	10,250
Compensated absences	4,357	3,985
Other current liabilities	2,951	3,327
Current portion of long-term debt	<u>15,049</u>	<u>13,657</u>
Total current liabilities	<u>49,325</u>	<u>48,576</u>
Noncurrent liabilities:		
Noncurrent liabilities	243,460	256,675
Less: Current portion of long-term debt	<u>(15,049)</u>	<u>(13,657)</u>
Total noncurrent liabilities	<u>228,411</u>	<u>243,018</u>
TOTAL LIABILITIES	<u>277,736</u>	<u>291,594</u>
NET ASSETS		
Net assets invested in capital assets	219,660	226,769
Less: Related debt	<u>(129,947)</u>	<u>(142,130)</u>
Investment in capital assets, net	89,713	84,639
Restricted:		
Student financial aid grants and loans	8,952	9,056
Unrestricted	<u>83,649</u>	<u>46,960</u>
Total net assets	<u>182,314</u>	<u>140,655</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 460,050</u>	<u>\$ 432,249</u>

See notes to basic financial statements.

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years ended June 30,
(In Thousands)

	2008	2007
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances	\$ 49,203	\$ 45,086
Federal contracted programs	15,054	17,022
Nongovernment grants and contracts	4,791	3,935
Auxiliary enterprises:		
Food services	3,402	3,085
Bookstore, net of scholarship allowances	9,070	8,504
Parking operation	2,206	1,975
Other operating revenues	3,129	3,775
Total operating revenues	<u>86,855</u>	<u>83,382</u>
OPERATING EXPENSES		
Educational and general:		
Sylvania Campus	35,977	34,707
Rock Creek Campus	22,047	20,230
Cascade Campus	18,465	16,589
Extended Learning Campus	12,967	12,805
President and Governing Board	3,131	2,779
Academic and Student Affairs Services	12,454	11,465
Administrative Services and Physical Plant	26,086	22,674
Other support services:		
Student Activities	1,142	1,066
Grants and Contracted Programs	24,841	25,675
Student financial aid, net of tuition and textbooks	6,517	6,617
Auxiliary enterprises:		
Food services	3,507	3,228
Bookstore	10,566	10,010
Parking operation	1,743	1,276
Miscellaneous	412	400
Early retirement costs	828	820
Materials, supplies and minor equipment expense	1,638	1,417
Depreciation expense	6,102	5,923
Amortization of bond related costs	1,407	1,369
Total operating expenses	<u>189,830</u>	<u>179,050</u>
Operating income (loss)	<u>(102,975)</u>	<u>(95,668)</u>
NONOPERATING REVENUES (EXPENSES)		
Federal financial aid	20,837	17,631
State FTE reimbursement	81,165	42,146
State and local government grants and contracts	6,961	6,813
Property taxes	42,504	39,100
Investment income	4,362	4,149
Contributed assets	-	31
Gain (loss) on the disposal of capital assets	601	(623)
Interest expense	(11,796)	(12,412)
Net nonoperating revenues (expenses)	<u>144,634</u>	<u>96,835</u>
Increase in net assets	41,659	1,167
NET ASSETS		
Net assets - beginning of the year	<u>140,655</u>	<u>139,488</u>
Net assets - end of the year	<u>\$ 182,314</u>	<u>\$ 140,655</u>

See notes to basic financial statements.

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

STATEMENTS OF CASH FLOWS
Years ended June 30,
(In Thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 46,020	\$ 46,085
Federal grants and contracts	15,054	17,022
Non-government grants and contracts	4,791	3,936
Payments to suppliers for goods and services	(51,067)	(56,565)
Payments to employees	(121,841)	(107,981)
Payments for student financial aid and other scholarships	(6,517)	(6,617)
Payment for early retirement	(828)	(820)
Cash received from customers	14,966	12,739
Other cash receipts	3,129	3,775
Net cash used in operating activities	(96,293)	(88,426)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal student financial aid grants	20,316	17,704
State and local government grants and contracts	6,961	6,814
Cash received from property taxes	42,155	39,042
Cash received from State FTE reimbursement	81,165	42,146
Interest paid on limited tax pension bonds	(5,215)	(5,249)
Principal paid on limited tax pension bonds	(1,670)	(1,635)
Net cash provided by noncapital financing activities	143,712	98,822
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Principal paid on long-term debt	(11,968)	(10,952)
Purchase of capital assets	(3,855)	(4,942)
Proceeds from disposition of capital assets	5,463	-
Cash paid for bond issuance costs	(69)	-
Interest paid on long-term debt	(6,505)	(7,006)
Net cash used in capital financing activities	(16,934)	(22,900)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	3,910	4,108
Purchases of investments	(135,723)	(102,340)
Proceeds from sales of investments	108,569	110,296
Net cash provided by (used in) investing activities	(23,244)	12,064

See notes to basic financial statements.

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended June 30,
(In Thousands)

	2008	2007
NET INCREASE (DECREASE) IN CASH	\$ 7,241	\$ (440)
Cash and cash equivalents - beginning of the year	17,234	17,674
Cash and cash equivalents - end of year	<u>\$ 24,475</u>	<u>\$ 17,234</u>
RECONCILIATION TO AMOUNTS SHOWN ON STATEMENTS OF NET ASSETS		
Unrestricted cash and cash equivalents	\$ 24,437	\$ 17,196
Restricted cash and cash equivalents	38	38
	<u>\$ 24,475</u>	<u>\$ 17,234</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (102,975)	\$ (95,668)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	6,102	5,923
Insurance expense (OPEB)	637	-
Amortization expense	1,407	1,369
(Increases) decreases in current assets used in operations:		
Accounts receivable	285	(825)
Student accounts receivable	(991)	(319)
Inventory and prepaid items	(166)	(27)
Increases (decreases) in current liabilities used in operations:		
Accounts payable	470	(633)
Payroll liabilities	1,133	381
Deferred revenue	(2,191)	1,319
Other current liabilities	(376)	(481)
Compensated absences	372	535
Net cash used in operating activities	<u>\$ (96,293)</u>	<u>\$ (88,426)</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Increase (decrease) in fair value of investments	\$ 91	\$ (33)
Bond accretion	48	212
Construction related payables	-	520
Proceeds of debt placed in escrow	12,420	-
Defeasance of debt	(12,420)	-

See notes to basic financial statements.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The College

Portland Community College (the College) is organized under the general laws of the State of Oregon and, as such, is a public institution under the general supervision of the State Board of Education through the Department of Community Colleges and Workforce Development. The College defines itself as a primary government because it has a separately elected governing body, it is a legally separate entity, and it is fiscally independent. There are various governmental agencies, cities, school districts, and special service districts, which provide services within the College's boundaries. However, since the College is not financially accountable for any of these entities, they do not qualify as component units of the College, and therefore are not included in the basic financial statements.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The College follows the "business-type activities" reporting requirements of GASB Statement No. 35 that provides a comprehensive one-column look at the College's financial activities.

Basis of Accounting

The basic financial statements are accounted for on the flow of economic resources measurement focus and are prepared on the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Property taxes are recognized as revenues in the years for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the grantor have been met. The College's basic financial statements have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures, issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The College has elected not to follow subsequent private-sector guidance.

Use of Estimates

The preparation of basic financial statements in accordance with accounting principles generally accepted in the United States of America 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 basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, the Oregon Local Government Investment Pool (LGIP) and short-term investments with original maturities of three months or less from the date of acquisition. The LGIP is stated at cost, which approximates fair value. Fair value of the investment in the LGIP is the same as the value of the pool shares.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Oregon Revised Statutes authorize investment in general obligations of the U.S. government and its agencies, certain bonded obligations of Oregon municipalities, repurchase agreements, and bankers' acceptances. The College has an investment policy that is more restrictive than the Oregon Revised Statutes. As of June 30, 2008 and 2007 and for the years then ended, the College was in compliance with the aforementioned State of Oregon statutes and its own internal investment policies. Investments are stated at fair value, which is based on the individual investment's quoted market price at year-end.

Receivables

All accounts, student loans, grants and property taxes receivable are shown net of an allowance for uncollectable accounts.

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are payable on November 15, February 15 and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Student loan receivables are recorded as tuition as assessed or as amounts are advanced to students under various federal student financial assistance programs.

Un-reimbursed expenses from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenses are incurred. Grant funds received prior to the occurrence of qualifying expenses are recorded as unearned revenue.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined by the retail cost method for the Bookstore and first-in/first-out method for all other inventory.

Prepaid Pension Obligation

In June 2003 the College issued limited tax pension obligation bonds. Proceeds were used to make a supplemental lump-sum payment to the Oregon Public Employees Retirement System (PERS). The intent was to prepay the amortization of the College's share of the PERS' unfunded actuarial liability. Amortization of this supplemental lump-sum payment will be recognized as pension expense over the 24 year life of the bonds.

Capital Assets

Capital assets include land and land improvements; buildings and building improvements; equipment and machinery; works of art and historical treasures; infrastructure, which includes utility systems; library collections; leasehold improvements; and construction in progress. The College's capitalization threshold is \$5 thousand except for buildings and building improvements, infrastructure assets, land and land improvements and leasehold improvements, which have a capitalization threshold of \$50 thousand. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value or functionality of the assets' lives are not capitalized, but are expensed as incurred.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Buildings and building improvements, equipment and machinery, infrastructure, library collections, leasehold improvements and land improvements of the College are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	25-60 years
Equipment and machinery	5-20 years
Infrastructure	25-100 years
Library collections	10 years
Leasehold improvements	5-10 years
Land improvements	10-25 years

Compensated Absences

It is College policy to permit employees to accumulate vacation and sick leave. Unused vacation pay is recognized as an expense and accrued when earned. The College does not have a policy to pay accumulated sick leave when employees separate from service. The College's employment contracts state that vacation leave earned during the academic year must be taken before the end of the following year. Because of this policy the College recognizes all compensated absences as current liabilities.

Long-term Debt

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Retirement Plans

Eligible college employees are participants in the State of Oregon Public Employees Retirement System (OPERS). Contributions to OPERS are made on a current basis as required by the plan and are charged as expenses.

Other Postemployment Benefits Obligation

The College implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for fiscal year ended June 30, 2008. The Net OPEB Obligation is recognized as a long-term liability in the Statement of Net Assets, the amount of which is actuarially determined.

Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses generally result from providing services to students. Principal operating revenues include tuition, charges for services and sales of educational material. Operating expenses include the cost of faculty, administration, sales and services for food services and bookstore operations and depreciation. All other revenues, including state educational support, financial aid and state grants, and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Allowances

Financial aid to students is reported in the basic financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the basic financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Federal Financial Assistance Program

The College participates in various federally funded programs including Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Lending, and Perkins Loans programs. In addition, the College receives a variety of federal grants including Dislocated Workers Grants, Steps to Success, ABE/GED, and Perkins Title I. Federal programs are audited in accordance with the Single Audit Act, the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

Net Assets

Net assets represent the difference between the College's total assets and total liabilities. Net assets are subdivided into three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

Net assets invested in capital assets, net of related debt represents capital assets, less accumulated depreciation and outstanding principal of capital asset related debt. Net assets subject to restriction by externally imposed restrictions are categorized as restricted net assets. This category represents the net assets of federal loan programs.

The unrestricted net asset balance of \$83.65 million at June 30, 2008 includes \$1.74 million reserved for contracted grant programs, \$3.34 million reserved for future debt service, \$3.43 million reserved for risk management, and \$30.68 million reserved for PERS bond debt service, with \$44.46 million remaining for other purposes. The unrestricted net asset balance of \$46.96 million at June 30, 2007 includes \$1.63 million reserved for contracted grant programs, \$2.58 million reserved for future debt service, \$3.47 million reserved for risk management, and \$23.53 million reserved for PERS bond debt service, with \$15.75 million remaining for other purposes.

Budgetary Information

Beginning July 1, 2007, the College changed its method of adopting its budget from an annual basis to a biennial basis in accordance with Oregon Revised Statutes. The College makes appropriations on a fund basis, using either the modified accrual or accrual basis of accounting depending on the fund type.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

The resolution authorizing appropriations by fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control for appropriations is set at the fund and organization level. Transfers of appropriations may be made between legally authorized appropriations when authorized by Board resolution. In addition, unexpected resources may be added to the budget through the use of a supplemental budget and appropriation resolution. The biennial appropriations lapse on June 30 of the second year of the biennial period.

Reclassifications

Certain balances reported in the June 30, 2007 basic financial statements have been reclassified to be consistent with the June 30, 2008 basic financial statement presentation. These reclassifications had no effect on the increase in net assets for the year ended June 30, 2007.

2. CASH AND INVESTMENTS

The primary investment objectives of the College's investment activities are preservation of capital, liquidity, diversification and yield. The following schedule comprises the combined value of the College's cash and investment portfolio at June 30 (in thousands).

	June 30,	
	2008	2007
Cash and cash equivalents:		
Cash on hand	\$ 140	\$ 143
Demand deposits	1,162	3,966
Cash held by county treasurer	262	218
Oregon Local Government Investment Pool	25,157	14,566
	<hr/>	<hr/>
Unrestricted cash and cash equivalents	26,721	18,893
Restricted cash and cash equivalents	38	38
	<hr/>	<hr/>
Total cash and cash equivalents	26,759	18,931
	<hr/>	<hr/>
Less cash Pension Trust Fund - Early Retirement	(2,284)	(1,697)
	<hr/>	<hr/>
Total cash and cash equivalents basic statements	24,475	17,234
	<hr/>	<hr/>
Investments:		
Government and agency obligations	45,825	24,179
Corporate securities	14,864	17,828
Bank obligations	11,249	2,777
	<hr/>	<hr/>
Total investments	71,938	44,784
	<hr/>	<hr/>
Total cash and investments	\$ 96,413	\$ 62,018
	<hr/>	<hr/>

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

2. CASH AND INVESTMENTS (Continued)

The Oregon Local Government Investment Pool, certificates of deposit, and some repurchase agreements are unrated. Other investments held at June 30 are categorized by rating as follows (in thousands):

	June 30,	
	2008	2007
Investments categorized by Moody's rating:		
Government sponsored (Treasury & Federal Agencies), Aaa or better	\$ 45,825	\$ 24,179
Corporate notes (Moody's AA or better)	11,374	12,335
Corporate commercial paper (Moody's A1 or better)	3,490	5,493
Bank obligations (CD, Banker's acceptance, Repurchase agreements)	11,249	2,777
Total investments	<u>\$ 71,938</u>	<u>\$ 44,784</u>

The Oregon Local Government Investment Pool (LGIP) is subject to regulatory oversight by the Oregon Short Term Fund Board and the Oregon Short Term Investment Council and is not required to be categorized by risk. The State of Oregon Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds.

Subsequent to year end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. The College has mitigated this risk to the degree possible through credit analysis and a short-term investment strategy. Notwithstanding, the College's investments have likely incurred a decline in fair market value since June 30, 2008 and may have more difficulty in liquidating investments due to the current liquidity crisis.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007

2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk:

In accordance with the objectives of the College's investment guidelines, interest rate risk is mitigated by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations. As of June 30, 2008, 67.06% of the college's investments matured within a 180-day time horizon.

Investments maturing after 180 days (in thousands)

Investment	Rating	Maturity Date	Principal
FHLMC Coupon	Aaa	1/12/2009	\$ 2,531
FHLMC Coupon	Aaa	1/12/2009	2,044
FFCB Coupon	Aaa	1/15/2009	2,514
FFCB Coupon	Aaa	1/23/2009	2,475
FHLB Coupon	Aaa	1/29/2009	2,500
FFCB Coupon	Aaa	2/4/2009	2,002
FNMA Coupon	Aaa	2/25/2009	2,494
US Bank Corporate Note	AA+,Aa1	3/2/2009	1,998
US Bank Time CD	NR	3/2/2009	2,000
JP Morgan Chase Corp Note	AA-,Aa2	3/15/2009	1,910
JP Morgan Chase Corp Note	AA-,Aa2	3/15/2009	102
Albina Community Bk CD	NR	3/28/2009	95
GECC Corporate Note	AAA, Aaa	4/1/2009	998
FHLMC Coupon	Aaa	4/14/2009	2,496
Atlantic Richfield (British Petrol) Corp Note	AA+,Aa1	4/15/2009	1,034
FFCB Coupon	Aaa	4/15/2009	2,037
Bank of The West CD	NR	5/3/2009	90
Goldman Sachs Corp Note	AA-, Aa3	10/1/2009	1,427
FNMA Coupon	Aaa	1/29/2010	2,012

Credit Risk:

In accordance with ORS Chapter 294 and the College's investment guidelines, investment in commercial paper must be rated A1 by Standard & Poors or P1 by Moody's, or an equivalent rating by any nationally recognized rating agency. Corporate securities, bonds and debentures must be rated AA or better by Standard & Poor's or Aa or better by Moody's, or an equivalent rating by any nationally recognized rating agency.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

2. CASH AND INVESTMENTS (Continued)

Concentration of credit risk:

In accordance with GASB 40, the College is required to report all individual non-federal investments which exceed 5% of total invested funds. Following is a listing of the holdings which exceed this threshold.

	June 30,			
	2008		2007	
	Amount	Percentage	Amount	Percentage
Concentration Credit Risk (in thousands)				
US Bank Time CD	\$ 4,000	5.56%	\$ -	-
US Bank Corporate Note	-	-	2,774	6.19%
All other investments	67,938	94.44%	42,010	93.81%
PORTFOLIO TOTAL	\$ 71,938	100.00%	\$ 44,784	100.00%

Custodial credit risk – deposits:

In accordance with ORS 295.015, all depositories of public fund deposits must maintain securities on deposit with their custodians. Oregon Revised Statutes require depository institutions to maintain on deposit with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. Prior to deposit with a bank, the College requires evidence of collateralization through receipt of a collateral certificate for combined balances with the depository bank that exceed the \$100 thousand FDIC limit. At June 30, 2008, the College bank balances were \$9.49 million. Of these deposits, \$0.60 million was covered by federal depository insurance, \$6.25 million was covered by collateral held in the pledging bank's trust department in the College's name and \$2.64 million was uninsured and uncollateralized.

Custodial credit risk – investments:

Should a counterparty fail, there is a risk that the College would not be able to recover the value of its investments that are held by an outside party. To minimize this risk, securities purchased through any of the authorized non-bank broker-dealers are held in a bank investment safekeeping division. All investment instruments, except those purchased through Wells Fargo Bank are held in safekeeping with US Bank. Non-depository investment instruments purchased through Wells Fargo Bank are held in the investment safekeeping division of Wells Fargo Bank, who is counterparty to these transactions. As of June 30, 2008, the College had \$71.94 million in various investment instruments, of which \$7.52 million was purchased from and held by Wells Fargo Bank. With these holdings, the total custodial credit risk for investments was 10.45% of the total investment portfolio.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

3. CAPITAL ASSETS

The balance of capital assets are as follows (in thousands):

	Balance As restated 7/01/2006	Increases	Decreases	Balance 6/30/2007	Increases	Decreases	Balance 6/30/2008
Capital assets not being depreciated:							
Land	\$ 28,947	\$ -	\$ -	\$ 28,947	\$ 1,207	\$ -	\$ 30,154
Art and historical treasures	762	6	(7)	761	-	-	761
Construction in progress	12,332	3,608	(15,537)	403	679	(403)	679
Total capital assets not being depreciated	42,041	3,614	(15,544)	30,111	1,886	(403)	31,594
Capital assets being depreciated:							
Land improvements	7,571	1,419	-	8,990	407	-	9,397
Buildings and improvements	207,169	14,434	(467)	221,136	374	(5,744)	215,766
Equipment and machinery	15,657	548	(1,128)	15,077	1,428	(166)	16,339
Library collections	1,864	168	(180)	1,852	126	(183)	1,795
Leasehold improvements	60	-	-	60	102	-	162
Infrastructure	4,580	-	-	4,580	-	-	4,580
Total capital assets being depreciated	236,901	16,569	(1,775)	251,695	2,437	(6,093)	248,039
Less accumulated depreciation for:							
Land improvements	2,375	565	-	2,940	531	-	3,471
Buildings and improvements	37,252	3,973	(135)	41,090	4,095	(968)	44,217
Equipment and machinery	9,210	1,126	(809)	9,527	1,230	-	10,757
Library collections	1,012	185	(21)	1,176	162	(198)	1,140
Leasehold improvements	57	-	-	57	10	-	67
Infrastructure	173	74	-	247	74	-	321
Total accumulated depreciation	50,079	5,923	(965)	55,037	6,102	(1,166)	59,973
Total capital assets being depreciated, net	186,822	10,646	(810)	196,658	(3,665)	(4,927)	188,066
Total capital assets, net	\$ 228,863	\$ 14,260	\$ (16,354)	\$ 226,769	\$ (1,779)	\$ (5,330)	\$ 219,660

Included in equipment and machinery above for each of the years ended June 30, 2007 and 2008 are copiers acquired under capital leases with an original cost of \$497 thousand.

In January 1995, the College and Oregon Board of Higher Education jointly purchased the Capital Center located at 18640 NW Walker Road, Beaverton, Oregon. The College held a 38 percentage interest. In February 2008, the Capital Center was sold to the Beaverton School District for \$15 million less closing fees with \$5.46 million in proceeds going to the College.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

4. LONG-TERM LIABILITIES

Transactions for the fiscal year ended June 30, 2008 are as follows (in thousands):

	<u>Original Amount</u>	<u>Outstanding July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding June 30, 2008</u>	<u>Due Within One Year</u>
2008 General obligation refunding bonds, interest ranges from 2.00% - 2.80%, Maturity July 1, 2012	\$ 12,190	\$ -	\$ 12,190	\$ -	\$ 12,190	\$ 255
2005 General obligation bonds, interest ranges from 3.00% - 5.00%, Maturity June 15, 2018	87,830	85,225	-	(2,270)	82,955	3,035
2003 Limited tax pension bonds, interest ranges from 1.07% - 4.81%, Maturity June 1, 2027	119,995	114,545	-	(1,670)	112,875	1,710
2002A General obligation refunding bonds, interest ranges from 3.00% - 5.50%, Maturity December 1, 2013	15,605	9,575	-	(200)	9,375	1,190
2001B General obligation bonds, interest ranges from 4.00% - 5.25%, Maturity June 1, 2021	98,000	16,970	-	(3,975)	12,995	4,135
2001A General obligation bonds, interest ranges from 4.10% - 5.50%, Maturity June 1, 2021	46,000	8,060	-	(1,890)	6,170	1,970
1997 General obligation advance refunding bonds, interest ranges from 4.40% - 5.25%, Maturity July 1, 2012	21,885	14,605	-	(12,095)	2,510	2,510
1993 General obligation deferred interest bonds, interest ranges from 4.50% - 5.80%, Maturity July 1, 2013	4,465	4,132	49	(3,300)	881	-
Certificate of Participation, interest ranges from 4.20% - 5.80%, Maturity January 15, 2018	2,530	1,660	-	(120)	1,540	125
Note Payable, interest rate 6.83%, Maturity March 18, 2011	174	73	-	(17)	56	19
Premium on General obligation bonds	2,473	1,551	230	(346)	1,435	-
Less: deferred amount on refunding	(364)	-	(364)	6	(358)	-
Capital leases	497	279	19	(99)	199	100
OPEB liability	-	-	637	-	637	-
	<u>\$ 411,280</u>	<u>\$ 256,675</u>	<u>\$ 12,761</u>	<u>\$ (25,976)</u>	<u>\$ 243,460</u>	<u>\$ 15,049</u>

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007

4. LONG-TERM LIABILITIES (Continued)

Transactions for the fiscal year ended June 30, 2007 are as follows (in thousands):

	Original Amount	Outstanding July 1, 2006	Increases	Decreases	Outstanding June 30, 2007	Due Within One Year
2005 General obligation bonds, interest ranges from 3.00% - 5.00%, Maturity June 15, 2018	\$ 87,830	\$ 86,860	\$ -	\$ (1,635)	\$ 85,225	\$ 2,270
2003 Limited tax pension bonds, interest ranges from 1.07% - 4.81%, Maturity June 1, 2027	119,995	116,180	-	(1,635)	114,545	1,670
2002A General obligation refunding bonds, interest ranges from 3.00%-5.50%, Maturity December 1, 2013	15,605	10,945	-	(1,370)	9,575	200
2001B General obligation bonds, interest ranges from 4.00% - 5.25%, Maturity June 1, 2021	98,000	20,755	-	(3,785)	16,970	3,975
2001A General obligation bonds, interest ranges from 4.10% - 5.50%, Maturity June 1, 2021	46,000	9,870	-	(1,810)	8,060	1,890
1997 General obligation advance refunding bonds, interest ranges from 4.40% - 5.25%, Maturity July 1, 2012	21,885	16,740	-	(2,135)	14,605	115
1993 General obligation deferred interest bonds, interest ranges from 4.50% - 5.80%, Maturity July 1, 2013	4,465	3,919	213	-	4,132	3,300
Certificate of Participation, interest ranges from 4.20% - 5.80%, Maturity January 15, 2018	2,530	1,775	-	(115)	1,660	120
Note Payable, interest 6.83%, Maturity March 18, 2011	174	90	-	(17)	73	17
Premium on General obligation bonds	2,473	1,893	-	(342)	1,551	-
Capital leases	497	365	-	(86)	279	99
	<u>\$ 399,454</u>	<u>\$ 269,392</u>	<u>\$ 213</u>	<u>\$ (12,930)</u>	<u>\$ 256,675</u>	<u>\$ 13,656</u>

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

4. LONG-TERM LIABILITIES (Continued)

Future maturities of principal and interest of long-term debts are as follows (in thousands):

Fiscal Year Ending June 30,	Bonds Payable		Certificate of Participation		Note Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 14,805	\$ 11,502	\$ 125	\$ 73	\$ 19	\$ 3	\$ 14,949	\$ 11,578
2010	12,515	10,453	130	68	21	2	12,666	10,523
2011	13,800	9,951	135	62	16	1	13,951	10,014
2012	15,230	9,349	140	56	-	-	15,370	9,405
2013	17,050	8,683	150	49	-	-	17,200	8,732
2014	18,330	8,180	155	42	-	-	18,485	8,222
2015	14,200	7,135	165	34	-	-	14,365	7,169
2016	15,695	6,461	170	26	-	-	15,865	6,487
2017	17,300	5,714	180	18	-	-	17,480	5,732
2018	19,020	4,886	190	9	-	-	19,210	4,895
2019	5,810	3,944	-	-	-	-	5,810	3,944
2020	6,505	3,665	-	-	-	-	6,505	3,665
2021	7,250	3,352	-	-	-	-	7,250	3,352
2022	8,050	3,003	-	-	-	-	8,050	3,003
2023	8,910	2,616	-	-	-	-	8,910	2,616
2024	9,825	2,188	-	-	-	-	9,825	2,188
2025	10,810	1,715	-	-	-	-	10,810	1,715
2026	11,860	1,195	-	-	-	-	11,860	1,195
2027	12,985	625	-	-	-	-	12,985	625
	<u>\$ 239,950</u>	<u>\$ 104,617</u>	<u>\$ 1,540</u>	<u>\$ 437</u>	<u>\$ 56</u>	<u>\$ 6</u>	<u>\$ 241,546</u>	<u>\$ 105,060</u>

General Obligation Bonds are direct obligations and pledge the full faith and credit of the College. The Certificate of Participation is also a general obligation backed by the full faith and credit of the College. Funds provided by the General Obligation Bonds and the Certificate of Participation were used for the acquisition and construction of major capital facilities.

Pension bonds are also direct obligations that pledge the full faith and credit of the College. Funds provided by the Pension bonds were used to prepay the College's pension unfunded actuarial liability (UAL).

In May 2008, the College issued General Obligation Refunding Bonds, Series 2008 in the amount of \$12.19 million. The proceeds from the bonds were used to redeem the General Obligation Advance Refunding Bonds, Series 1997. As a result, a portion of the bonds are considered defeased and the amount of \$11.98 million has been removed from liabilities. The reacquisition price exceeded the net carrying amount of the old debt by \$0.36 million. This amount is being netted against the new debt and amortized over the life of the new debt, which is shorter than the life of the refunded debt. The bonds were issued to take advantage of current market yield which created a net economic gain of \$0.45 million.

The Tax Reform Act of 1986 requires governmental entities issuing tax-exempt bonds to refund to the U.S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. Governmental entities must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. Entities are required to remit arbitrage rebate payments for non-purpose interest to the federal government at least once every five-year period that the debt is outstanding and at maturity. Arbitrage liabilities are recorded as a reduction in investment earnings in the general fund. At June 30, 2008 and 2007, the College had no arbitrage rebate liabilities.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

4. LONG-TERM LIABILITIES (Continued)

In prior years, the College defeased other general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. For the year ended June 30, 2008, the outstanding balance of refunded bonds defeased totaled \$115 million.

The College entered into capital lease agreements as lessee for financing the acquisition of equipment. The future minimum lease obligations and the net present value of these minimum lease payments are as follows (in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 99
2010	<u>100</u>
Total minimum lease payments	199
Less:	
amount representing interest	<u>(8)</u>
Present value of minimum lease payments	<u><u>\$ 191</u></u>

5. OPERATING LEASES

The College leases building and office facilities and other equipment under non-cancelable operating leases. The future minimum lease payments are as follows (in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 1,064
2010	786
2011	623
2012	<u>36</u>
Total	<u><u>\$ 2,509</u></u>

The expense for operating leases for the years ended June 30, 2008 and 2007 was \$1.7 million and \$0.85 million, respectively.

In February 2008, the College entered into a lease with Beaverton School District for the lease of a portion of the Capital Center, which houses the Washington County Workforce Training Center. The lease shall expire on December 31, 2009 and can be extended. The College has the option to cancel the lease with 30 days notice. The rent is in the amount of \$66,800 per month and shall increase by 3% on the anniversary date of the lease.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

6. GROUND LEASE AND JOINT USE AGREEMENT

On June 22, 2006, the College (lessor) entered into a ground lease and joint use agreement with Tualatin Hills Park and Recreation District (THPRD, lessee). The lease permits THPRD to develop, construct, operate and maintain certain recreational facilities on real estate owned by the College. The initial term of the lease is twenty-five years, with an option to extend for three additional five-year terms. Lease payments are \$25 annually. THPRD shall use the premises for the operation of a community recreational facility. Improvements to the property will be made by THPRD. Upon termination, the College will take possession of the property and improvements.

7. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance.

General liability insurance generally covers casualty losses in excess of \$500 thousand per occurrence, with a loss limit of \$10 million per occurrence and a \$20 million aggregate loss limit. The College's property insurance total loss limit is approximately \$395 million with a \$25 thousand deductible. Earthquake and flood losses have a loss limit of \$100 million within the total loss limit of approximately \$360 million. The College retains the risk of casualty losses under \$500 thousand per occurrence. There has been no significant reduction in insurance coverage during the year ended June 30, 2008 and no insurance settlement exceeded insurance coverage for the past three years.

The College maintains a risk management program for workers' compensation and unemployment to pay claims, maintain claims reserves and pay administrative expenses. Liabilities for workers' compensation are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The College has obtained an excess coverage insurance policy to cover workers' compensation claims in excess of \$500 thousand. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. Changes in the balances of claims liabilities are as follows (in thousands):

	Year Ended June 30,	
	2008	2007
Unpaid claims, July 1	\$ 205	\$ 375
Incurred claims	470	141
Claim payments	(316)	(311)
Unpaid claims, June 30	<u>\$ 359</u>	<u>\$ 205</u>

8. PENSION PLANS

PERS

The College contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the College's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: 1) The Pension Program, the defined benefit portion of the plan, applies to qualifying College employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

8. PENSION PLANS (Continued)

PERS (Continued)

into account final average salary and years of service. 2) The Individual Account Program (IAP), the defined contribution portion of the plan, beginning January 1, 2004, all PERS member contributions go into the IAP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. This contribution is Employer Paid Pre-Taxed (EPPT). The College is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2008 were 3.24% and 5.82% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

In June 2003, the College issued limited tax pension bonds to finance a portion of its estimated unfunded actuarial liability (See Note 4). The College's amortization of pension expense for the years ended June 30, 2006, 2007 and 2008 were \$1.55 million, \$1.64 million, and \$1.67 million respectively. The College's amortization of the prepaid pension obligation for the years ended June 30, 2006, 2007 and 2008 were \$1.53 million, \$1.62 million, and \$1.65 million respectively. As a result, the College's contribution to PERS for the years ended June 30, 2006, 2007, and 2008 were \$2.68 million, \$2.14 million, and \$0.53 million respectively, which was the required annual contribution.

Early Retirement Incentive Plan

The College maintains a single-employer, defined benefit early retirement incentive program for qualifying faculty, Academic Professionals (AP), and Classified Employees. The College does not publish a stand-alone financial report for this plan. The Board has authority to set benefit provisions and funding policy for the plan. The management employee portion of this plan was replaced in fiscal year 2000 by a 2% employer contributed 403(b) plan. A grandfather provision exists for management employees who meet specific criteria.

Retirement eligibility:

Minimum age 55 with 10 years of full-time College service immediately preceding retirement. Employees may retire before age 55 with 30 years of service with PERS.

Benefit eligibility:

Management employees - The grandfathered group that meet the following criteria are eligible; (1) attained age 50 with 10 full years full-time service at November 1, 1999, or (2) any age with 20 years service or 30 years of PERS service at November 1, 1999 and (3) retire prior to age 62.

Faculty and AP employees - retire prior to age 62.

Classified employees - hired prior to July 1, 1987 and retire prior to age 62.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007

8. PENSION PLANS (Continued)

Early Retirement Incentive Plan (Continued)

Supplemental early retirement benefits:

Management employees - lump sum equal to \$400 per month until age 62, not to exceed 48 months. This amount is offset by the College's contribution to the participant's Section 403(b) account.

Faculty and AP - \$400 per month until age 62, for 48 months, or death, whichever is earlier.

Classified employees - \$270 per month until age 62, for 48 months, or death, whichever is earlier.

Actuarial funding method:

The actuarial funding method used to determine the cost of the Supplemental Early Retirement Program is known as the Frozen Initial Liability (FIL) Aggregate cost method. Under this method, the unfunded value of all benefits expected to be paid from the plan is spread over the expected working career of all participants in such a way that annual costs are expected to remain level. The actuarial assumptions include: (a) a rate of return on investments of present and future assets of 5% compounded annually; (b) no future increases in benefits; (c) no post retirement increases; and (d) an inflation rate of 4%.

Normal cost - The normal cost is the ongoing annual cost assigned to the coming plan year by the funding method. Under the aggregate cost method as a level dollar amount, the excess of the present value of projected benefits for the group over the actuarial value of the assets and the initial unfunded liability is allocated on a level basis over the service of the group between the valuation date and assumed exit. The portion allocated to the current plan year is the normal cost for that year. If the active participant group's characteristics remain nearly the same from year to year, the normal cost can be expected to remain approximately level from one year to the next.

Actuarial Gains and Losses - Each valuation is based on predictions of future plan experience through the use of a set of actuarial assumptions in such areas as turnover, mortality, and investment return. When actuarial assumptions are not met, actuarial gains and losses result. Gains occur when actual plan experience is more favorable than expected, and losses occur when actual plan experience is less favorable than expected. The aggregate cost method dictates that these gains or losses reduce or increase future normal costs.

Accrued liabilities - Under the aggregate cost method, the accrued liability of the plan is defined to be the actuarial value of the plan's assets plus any remaining unfunded liability.

Basis of Accounting:

The actuarial calculations are consistent with accounting principles generally accepted in the United States of America and GASB No. 25, 26, and 27.

Asset Valuation Method:

The actuarial value of assets is equal to the market value of the assets.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

8. PENSION PLANS (Continued)

Early Retirement Incentive Plan (Continued)

Basic actuarial assumptions:

1. Interest 5% per annum. This reflects an underlying general long-term inflation rate of 4%.
2. Mortality Male retirees: The RP-2000 combined healthy male mortality table set back two years with no collar adjustment.
Male actives: 65% of the male retirees' rate.
Female retirees: The RP-2000 combined healthy female mortality table set back one and one-half years with no collar adjustment.
Female actives: 55% of the female retirees' rates.

The College's annual pension cost and net pension obligation (surplus) for the last three years is as follows (in thousands):

	Year Ended June 30,		
	2008	2007	2006
Annual required contribution	\$ 6	\$ 45	\$ 193
Interest on net pension surplus	(101)	(80)	(69)
Adjustment to required contribution	221	183	156
Annual pension cost	126	148	280
Contribution made	(631)	(576)	(511)
Increase in pension surplus	(505)	(428)	(231)
Net pension surplus, beginning of year	(2,031)	(1,603)	(1,372)
Net pension surplus, end of year	<u>\$ (2,536)</u>	<u>\$ (2,031)</u>	<u>\$ (1,603)</u>
Interest on pension surplus	5.00%	5.00%	5.00%
Amortization factor	9.17%	8.74%	8.77%

Assets are recorded in the Early Retirement – Pension Trust Fund and are not included in the Basic Financial Statements.

Net pension surplus is defined as the excess of actual contributions over actuarially determined contributions. Funding progress based on actuarial valuations is as follows (in thousands):

Valuation Date				Percent	Covered	Percent of
July 1,	AVA (1)	AAL (2)	UAAL (3)	Funded	Payroll	Covered Payroll
2004	\$ 1,029	\$ 3,450	\$ 2,133	32 %	\$ 32,379	7 %
2006	1,346	2,241	1,475	60	35,739	4
2008*	1,695	2,169	1,416	78	35,022	4

- (1) Actuarial Value of Assets
- (2) Actuarial Accrued Liability
- (3) Unfunded Actuarial Accrued Liability

* Actuarial valuation was not performed in this year. The assumptions and plan provisions used in the calculations are from the previous year's actuarial report.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

8. PENSION PLANS (Continued)

Early Retirement Incentive Plan (Continued)

Employer contributions for the past five years are as follows (in thousands):

Year	Annual Required Contribution	Actual Contributions	Employer Contribution Percentage
2004	\$ 187	\$ 487	260 %
2005	193	511	265
2006	193	511	265
2007	45	576	1,270
2008	6	631	10,935

Early Retirement Trust Fund Statements

The College accounts for the Pension Trust Fund on the accrual basis of accounting. A transfer from the general fund and investment earnings covers contributions. Benefits are expensed on a "pay as you go" basis and there are no refunds paid. Information regarding the Pension Trust Fund, which is not included in the basic financial statements, is detailed in the following table (in thousands):

		June 30,	
		2008	2007
Assets:			
Cash and investments		\$ 2,284	\$ 1,697
Receivables		39	42
Total assets		<u>\$ 2,323</u>	<u>\$ 1,739</u>
Liabilities - accrued benefits payable		\$ 191	\$ 44
Net assets held in trust for pension benefits		<u>2,132</u>	<u>1,695</u>
Total liabilities and net assets		<u>\$ 2,323</u>	<u>\$ 1,739</u>
		Year Ended June 30,	
		2008	2007
Revenues:			
Contributions		\$ 828	\$ 820
Interest income		101	90
Total revenues		<u>929</u>	<u>910</u>
Expenses - benefits		<u>492</u>	<u>561</u>
Net increase		437	349
Beginning net assets		<u>1,695</u>	<u>1,346</u>
Ending net assets		<u>\$ 2,132</u>	<u>\$ 1,695</u>

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007

8. PENSION PLANS (Continued)

Other Retirement Plan

The College contributes to a defined contribution pension plan (403(b) plan) for its management employees with at least one year of service. The College administers the plan and does not publish a stand-alone financial report for the plan. The Board has authority to set benefit provisions and funding policy for the plan. The required contribution amount is 2% of covered salary for those who have joined the plan. The expense for the plan for the years ended June 30, 2008 and 2007, was \$0.22 million and \$0.19 million respectively.

9. POSTEMPLOYMENT HEALTHCARE PLAN

The College implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension for the fiscal year ended June 30, 2008. This implementation allows the College to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

The College operates a single-employer retiree benefit plan that provides postemployment health, dental, vision and prescription coverage benefits to eligible employees and their eligible dependents. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

The College contributes to the premiums for eligible faculty and academic professional employees and their eligible dependents up to the employer paid maximum at the time of retirement (College Paid-Cap). The maximum monthly employer paid premium contribution at June 30, 2008 is \$775 and is based on the number of dependents covered by a medical plan at the time of retirement. This maximum amount may change based on the contract negotiations process or if the number of dependents covered decreases. The balance of the actual premium is then paid by the employee.

To be eligible, retired employees must be receiving benefits from Oregon PERS and the duration of benefits is 48 months or until the attainment of age 65, if earlier.

Separately, a grandfathered group of eligible management employees receive a one-time lump sum payment equal to the College Paid-Cap at the time of retirement for 48 months or until age 65, whichever is earlier.

Benefits and eligibility for faculty, academic professionals and classified staff are established and amended through collective bargaining with the recognized bargaining agent for each group. Benefits and eligibility for administrators and general support staff are established and amended by the governing body.

The College is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. Retired employees who are eligible for the College Paid-Cap whose College paid benefits end prior to age 65 may continue enrollment in the health plans on a self-pay basis until age 65. Retired employees who are not eligible for the College Paid-Cap may continue enrollment in the health plans on a self-pay basis until age 65.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

For the fiscal year ended June 30, 2008, the College contributed \$0.20 million in College Paid-Cap payments. The College has elected not to prefund the actuarially determined future cost amount of \$0.6 million.

Current healthcare premiums for plan member were as follows for the year ended June 30, 2008. Employees eligible for the College Paid-Cap pay the difference between the cap and premium. Employees eligible on a self-pay basis pay 100% of the premiums.

<u>Medical Coverage</u>	<u>Employee</u>	<u>Employee + One</u>	<u>Employee + Family</u>
Regence Plan A - 100	\$ 413.40	\$ 947.90	\$ 1,110.45
Regence PPO	389.50	904.85	1,070.05
Regence Plan C - 1000	276.50	637.10	752.20
Kaiser Permanente	414.44	953.21	1,118.99
<u>Dental Coverage</u>	<u>Employee</u>	<u>Employee + One</u>	<u>Employee + Family</u>
Regence Plan 1	\$ 34.10	\$ 67.20	\$ 122.70
Regence Dentacare	32.35	61.35	128.15
Kaiser Permanente	83.72	167.44	226.04

The College's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the College (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following table shows the components of the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's OPEB obligation to the plan (in thousands).

Normal Cost as of July 1, 2007	\$ 878
Interest on net OPEB obligation	71
One year's amortization of AAL with interest	<u>536</u>
Annual Required Contribution (ARC)	1,485
Less contribution (amounts paid by the College during year for OPEB)	<u>(848)</u>
Contribution deficiency (ARC less current year payments)	637
OPEB obligation as of July 1, 2007	<u>-</u>
OPEB obligation as of June 30, 2008	<u><u>\$ 637</u></u>

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2008 were as follows (in thousands):

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 1,485	57%	\$ 637

Funding status and funding progress based on most recent actuarial valuation is as follows (in thousands):

<u>Actuarial Valuation Date</u>	<u>AVA (1)</u>	<u>AAL (2)</u>	<u>UAAL (3)</u>	<u>Percent Funded</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2007	\$ -	\$ 13,627	\$ 13,627	\$ - %	\$ 67,791	20.10%

- (1) Actuarial Value of Assets
- (2) Actuarial Accrued Liability
- (3) Unfunded Actuarial Accrued Liability

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.5-10.0% for Regence Medical and 8.5% for Kaiser initially, reduced by decrements to an ultimate rate of 5% after eight years. The UAAL is being amortized as a level percentage of projected payroll on a closed basis over a period of thirty years.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007**

9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Retirement Health Insurance Account (RHIA)

As a member of Oregon Public Employees Retirement System (OPERS) the College contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating community colleges are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.37% of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The College's contributions to RHIA for the years ended June 30, 2008, 2007 and 2006 were \$81 thousand, \$154 thousand and \$327 thousand, which equaled the required contributions each year.

10. RELATED ORGANIZATION

The Portland Community College Foundation (the Foundation) is a legally separate, tax-exempt related organization of the College. 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 are restricted to activities of the College by the donors. Even though the resources held by the Foundation are primarily for the benefit of the College, the Foundation is not considered a component unit of the College, as defined by GASB No. 39, since revenues and total assets of the Foundation are less than 2% of revenues and total assets of the College.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007

10. RELATED ORGANIZATION (Continued)

Summarized financial information from the Foundation's audited financial statements as of and for the years ended June 30, 2008 and 2007 is as follows (in thousands):

	2008	2007
Total assets	\$ 7,542	\$ 4,314
Total net assets	4,600	4,205
Total support and revenues	2,174	2,214
Total expenses	1,780	1,451

11. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

Publication of excerpts from Comprehensive Annual Financial Report in violation of contract

The College included only excerpts of the Comprehensive Annual Financial Report for the year ended June 30, 2007 in the official statement for the General Obligation Refunding Bonds, Series 2008, together with the opinion of the independent audit firm of Talbot, Korvola & Warwick, LLP without consent as required by the letter of arrangement. The College will work with bond counsel and financial advisors to include the independent audit firm in the distribution list when considering any debt obligations, and will refrain from including the independent Auditor's Report in any documents other than the financial statements on which the report is issued without prior consent from the independent audit firm.

12. COMMITMENTS AND CONTINGENCIES

Construction Commitments

The College has approximately \$2.3 million in on-going construction commitments as of June 30, 2008. The commitments include the re-roofing project at Rock Creek campus, consulting services for the bond measure, and design and construction services for the Willow Creek project.

Senate Bill 5516 – Construction Grant

In June 2007 Oregon State legislation passed Senate Bill 5516 for grant amounts to state community colleges funded by the sale of bonds, to happen in spring 2009. The College must raise \$7.5 million in matching funds to be eligible to receive this grant. The College plans to deposit that amount with the State by February 2009.

Federal Issues

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government. Any disallowed costs, including amounts already collected, may constitute a liability for the College. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although College management expects such amounts, if any, to be immaterial to the basic financial statements.

**PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS
Years ended June 30, 2008 and 2007

13. SUBSEQUENT EVENTS

Construction Commitments

In September 2008, the College entered into a \$31.5 million contract with Gerding Edlen Development Company, LLC for development and construction of the Willow Creek facility. The approximate 100,000 square foot facility will be located at the Willow Creek Westside Light Rail Station and will become the new home of the Washington County Workforce Training Center and other activities.

Long-Term Lease

In August 2008, the College entered into a ninety-nine year lease with Tri-County Metropolitan Transportation District of Oregon at the Southwest 185th Willow Creek Westside Light Rail Station for the new site of the Washington County Workforce Training Center. Payment of \$2.4 million was made in August 2008 as full settlement of the lease.

2008 Bond Measure

On November 4, 2008, Portland area voters approved a \$374 million bond measure to provide for expansions in academic space and college programs within the five county college district. The bond will expand workforce training programs, build "green" buildings and renovate older buildings to be more energy efficient, update equipment, make health and safety upgrades, increase classroom space to serve more students and open education and training centers in Newberg, Sherwood and at Willow Creek in Hillsboro.



Other SUPPLEMENTARY INFORMATION



Individual funds
and other financial schedules



GENERAL FUND

The General Fund provides for the ongoing operations of the College. It accounts for all activities not reported in the other funds. The fund's principal revenue sources are local property taxes, student tuition, and State of Oregon FTE reimbursements. Primary expenditures are budgeted by campus location and service area.

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2008

<u>GENERAL FUND</u>				VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	
REVENUES:				
From local sources:				
District tax levy:				
Current	\$ 45,926,653	\$ 45,926,653	\$ 23,203,006	\$ (22,723,647)
Prior	733,827	733,827	378,784	(355,043)
Total district tax levy	46,660,480	46,660,480	23,581,790	(23,078,690)
Tuition and fees:				
Tuition - general	99,916,896	110,179,272	53,545,453	(56,633,819)
Other tuition and fees	-	-	1,824,438	1,824,438
Total tuition and fees	99,916,896	110,179,272	55,369,891	(54,809,381)
Other sources:				
Interest from investments	2,023,826	2,023,826	1,691,293	(332,533)
Miscellaneous local sources	3,523,100	3,923,100	1,584,277	(2,338,823)
Total other sources	5,546,926	5,946,926	3,275,570	(2,671,356)
Total from local sources	152,124,302	162,786,678	82,227,251	(80,559,427)
From state sources:				
FTE reimbursement	127,388,676	133,817,048	66,635,969	(67,181,079)
Total from state sources	127,388,676	133,817,048	66,635,969	(67,181,079)
Total revenues, budgetary basis	279,512,978	296,603,726	148,863,220	(147,740,506)

Continued on page 40.

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2008

General Fund				VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st Year Actual	
EXPENDITURES:				
Campus program areas:				
Sylvania	\$ 68,663,575	\$ 73,130,175	\$ 36,015,008	\$ 37,115,167
Rock Creek Campus	40,882,137	45,152,032	22,139,022	23,013,010
Cascade	32,414,985	36,374,425	18,482,927	17,891,498
Extended Learning	14,167,303	16,339,203	7,638,822	8,700,381
Total Campus program areas	156,128,000	170,995,835	84,275,779	86,720,056
Non-program areas:				
Personal Services	70,034,087	78,861,752	36,795,111	42,066,641
Materials & Services	33,349,985	33,917,104	16,889,718	17,027,386
Capital Outlay	2,203,388	2,476,938	918,507	1,558,431
Total Non-program areas	105,587,460	115,255,794	54,603,336	60,652,458
Contingencies	16,300,856	7,466,399	-	7,466,399
Total Expenditures	278,016,316	293,718,028	138,879,115	154,838,913
Revenues over (under) expenditures, budgetary basis	1,496,662	2,885,698	9,984,105	7,098,407
OTHER FINANCING SOURCES (USES):				
Sources:				
Transfer from Print Center Fund	84,400	84,400	41,800	(42,600)
Transfer from Student Financial Aid Fund	633,000	633,000	-	(633,000)
Transfer from Food Services Fund	83,006	83,006	26,929	(56,077)
Transfer from Parking Operations Fund	767,450	767,450	379,950	(387,500)
Transfer from Capital Projects Fund	-	1,254,000	322,497	(931,503)
Transfer from Auxiliary Services Fund	90,417	183,381	114,982	(68,399)
Transfer from Contracted Programs Fund	4,136,600	4,136,600	2,010,749	(2,125,851)
Transfer from Bookstore Fund	708,600	708,600	350,800	(357,800)
Total sources	6,503,473	7,850,437	3,247,707	(4,602,730)
(Uses):				
Transfer to Capital Lease/Purchase Fund	(396,610)	(396,610)	(198,475)	198,135
Transfer to Student Financial Aid Fund	(1,303,600)	(1,303,600)	(642,700)	660,900
Transfer to Contracted Programs Fund	(163,656)	(163,656)	(81,828)	81,828
Transfer to Capital Projects Fund	(7,490,000)	(10,226,000)	(6,118,000)	4,108,000
Total transfers to other funds	(9,353,866)	(12,089,866)	(7,041,003)	5,048,863
Amount Provided to Early Retirement Fund	(1,656,288)	(1,656,288)	(828,144)	828,144
Total other financing sources (uses)	(11,010,154)	(13,746,154)	(7,869,147)	5,877,007
Revenues and other financing sources (uses) over (under) expenditures, budgetary basis	(3,010,019)	(3,010,019)	5,362,665	8,372,684
Beginning fund balance	19,222,000	19,222,000	17,794,161	(1,427,839)
Ending fund balance - budgetary basis	\$ 16,211,981	\$ 16,211,981	\$ 23,156,826	\$ 6,944,845

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SPECIAL REVENUE FUNDS

The Special Revenue Funds account for revenues and expenditures restricted for specific educational projects or programs. Funds included in the Special Revenue category are:

CONTINUING AND COMMUNITY EDUCATION FUND – The Continuing and Community Education Fund accounts for the College's community education and continuing education programs. Tuition and fees are the main revenue sources.

AUXILIARY SERVICES FUND - The Auxiliary Services Fund accounts for a variety of self-supported student activities. The principal revenue sources are various tuition incomes and facilities usage fees.

STUDENT ACTIVITIES FUND - The Student Activities Fund was established to provide a separate accounting for student funds. The principal sources of revenue are student fees included in tuition. The activities included in the fund are child care, intramural programs, and student government.

CONTRACTED PROGRAMS FUND - The Contracted Programs Fund accounts for College contracts with federal, state and local agencies for the training of various constituencies, the development and operation of experimental programs and the improvement of existing programs. The principal sources of revenue are the federal, state, local governments and other private institutions.

STUDENT FINANCIAL AID FUND - The Student Financial Aid Fund was established to provide for a separate accounting of dollars deposited for student financial assistance. The principal sources of revenue are the federal government and College matching funds.

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CONTINUING AND COMMUNITY EDUCATION FUND

	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other local sources	\$ 3,473,186	\$ 3,473,186	\$ 1,206,459	\$ (2,266,727)
Tuition and fees	11,319,040	11,319,040	4,540,831	(6,778,209)
Total revenues	14,792,226	14,792,226	5,747,290	(9,044,936)
EXPENDITURES:				
Sylvania Campus:				
Direct personnel	296,724	309,507	4,396	305,111
Personnel benefits	81,228	82,803	729	82,074
Materials and services	446,810	435,402	2,806	432,596
Capital outlay	100,000	100,000	5,575	94,425
Total Sylvania Campus	924,762	927,712	13,506	914,206
Extended Learning Campus:				
Direct personnel	6,073,465	6,552,389	2,631,510	3,920,879
Personnel benefits	2,021,009	2,140,106	738,561	1,401,545
Materials and services	5,457,800	5,083,922	1,945,463	3,138,459
Total Extended Learning Campus	13,552,274	13,776,417	5,315,534	8,460,883
Cascade Campus:				
Direct personnel	64,652	69,225	11,659	57,566
Personnel benefits	16,557	17,269	3,791	13,478
Materials and services	5,264	1,603	11	1,592
Total Cascade Campus	86,473	88,097	15,461	72,636
Contingency	228,717	-	-	-
Total expenditures	14,792,226	14,792,226	5,344,501	9,447,725
Revenues over (under) expenditures	-	-	402,789	402,789
Beginning fund balance	-	-	(354,114)	(354,114)
Ending fund balance	\$ -	\$ -	\$ 48,675	\$ 48,675

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AUXILIARY SERVICES FUND

	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Facilities usage	\$ 813,070	\$ 813,070	\$ 300,766	\$ (512,304)
Campus activities	296,266	296,266	157,127	(139,139)
Total revenues	1,109,336	1,109,336	457,893	(651,443)
EXPENDITURES:				
Campus activities	448,470	448,470	89,873	358,597
Facilities usage	971,047	883,063	322,172	560,891
Contingency	39,470	34,490	-	34,490
Total expenditures	1,458,987	1,366,023	412,045	953,978
Revenues over (under) expenditures	(349,651)	(256,687)	45,848	302,535
OTHER FINANCING SOURCES (USES):				
Transfers:				
Transfers (out)	(90,417)	(183,381)	(114,984)	68,397
Revenues and other financing sources (uses) over (under) expenditures	(440,068)	(440,068)	(69,136)	370,932
Beginning fund balance	440,068	440,068	498,350	58,282
Ending fund balance	\$ -	\$ -	\$ 429,214	\$ 429,214

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<u>STUDENT ACTIVITIES FUND</u>				VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	
REVENUES:				
Interest from investments	\$ 11,067	\$ 11,067	\$ 3,450	\$ (7,617)
From local sources:				
Student activities fees	2,021,778	2,056,778	1,095,103	(961,675)
Other local sources	197,000	197,000	98,991	(98,009)
Total from local sources	2,218,778	2,253,778	1,194,094	(1,059,684)
Total revenues	2,229,845	2,264,845	1,197,544	(1,067,301)
EXPENDITURES:				
Sylvania Campus Programs	943,013	987,442	448,425	539,017
Rock Creek Campus Programs	652,983	686,037	358,044	327,993
Cascade Campus Programs	510,094	539,688	263,659	276,029
Extended Learning Campus Programs	156,250	151,024	71,777	79,247
Contingency	175,998	109,147	-	109,147
Total expenditures	2,438,338	2,473,338	1,141,905	1,331,433
Revenues over (under) expenditures	(208,493)	(208,493)	55,639	264,132
Beginning fund balance	208,493	208,493	98,665	(109,828)
Ending fund balance	\$ -	\$ -	\$ 154,304	\$ 154,304

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CONTRACTED PROGRAMS FUND

	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 123,130	\$ 123,130
Local sources	14,826,442	14,826,442	4,790,651	(10,035,791)
State sources	13,398,215	13,398,215	6,961,479	(6,436,736)
Federal sources	41,749,596	41,749,596	15,054,271	(26,695,325)
Total revenues	69,974,253	69,974,253	26,929,531	(43,044,722)
EXPENDITURES:				
Local contracts	12,592,116	12,592,116	4,611,487	7,980,629
Capital outlay	-	-	29,626	(29,626)
Total local contracts	12,592,116	12,592,116	4,641,113	7,951,003
State grants	11,908,663	11,908,663	6,227,900	5,680,763
Total state grants	11,908,663	11,908,663	6,227,900	5,680,763
Federal grants	37,863,272	37,863,272	13,852,347	24,010,925
Capital outlay	-	-	119,802	(119,802)
Total federal grants	37,863,272	37,863,272	13,972,149	23,891,123
Total expenditures	62,364,051	62,364,051	24,841,162	37,522,889
Contingency	3,455,758	3,455,758	-	3,455,758
Revenues over (under) expenditures	4,154,444	4,154,444	2,088,369	(2,066,075)
OTHER FINANCING SOURCES (USES):				
Transfers in	163,656	163,656	81,828	(81,828)
Transfers (out)	(4,136,600)	(4,136,600)	(2,010,748)	2,125,852
Total other financing sources (uses)	(3,972,944)	(3,972,944)	(1,928,920)	2,044,024
Revenues and other financing sources (uses) over (under) expenditures	181,500	181,500	159,449	(22,051)
Beginning fund balance	2,098,355	2,098,355	2,222,300	123,945
Ending fund balance	\$ 2,279,855	\$ 2,279,855	\$ 2,381,749	\$ 101,894

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<u>STUDENT FINANCIAL AID FUND</u>				VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	
REVENUES:				
From local sources:				
Interest from investments	\$ 17,668	\$ 17,668	\$ 27,150	\$ 9,482
Private scholarships	5,851,029	5,851,029	224,460	(5,626,569)
Loan fund repayments	-	-	1,219,338	1,219,338
Miscellaneous income	-	-	2,074	2,074
Total from local sources	5,868,697	5,868,697	1,473,022	(4,395,675)
From federal sources	57,380,984	57,380,984	22,176,194	(35,204,790)
Total revenues	63,249,681	63,249,681	23,649,216	(39,600,465)
EXPENDITURES:				
College funded programs:**				
Miscellaneous	364,200	568,970	999	567,971
Personnel benefits	-	-	5,259	(5,259)
Financial Aid tuition grants	166,000	259,333	51,750	207,583
Tuition grants contingency	10,000	15,622	1,930	13,692
PCC Opportunity Grant	332,190	518,963	120,675	398,288
Total College funded programs	872,390	1,362,888	180,613	1,182,275
Federal programs:				
Student Incentives Need Grants:				
Student grants	9,400,000	9,400,000	3,616,180	5,783,820
Total Student Incentives Need Grants	9,400,000	9,400,000	3,616,180	5,783,820
PELL grants	44,100,000	44,100,000	16,884,435	27,215,565
Academic Competitiveness Grants	383,296	383,296	80,595	302,701
SEOG programs	2,577,816	2,577,816	1,061,813	1,516,003
Perkins / NDSL loans:				
Student loans	3,778,765	3,778,765	858,443	2,920,322
Other funds costs	-	-	112,800	(112,800)
Total Perkins / NDSL loans	3,778,765	3,778,765	971,243	2,807,522

** Appropriation level is College funded programs

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2008

<u>STUDENT FINANCIAL AID FUND</u>				VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	<u>2007-2009 ORIGINAL BUDGET</u>	<u>2007-2009 FINAL BUDGET</u>	<u>1st YEAR ACTUAL</u>	
EXPENDITURES (continued):				
Nursing loans:				
Student loans	\$ 845,400	\$ 845,400	\$ 245,221	\$ 600,179
Other fund costs	-	-	9,248	(9,248)
Total Nursing loans	<u>845,400</u>	<u>845,400</u>	<u>254,469</u>	<u>590,931</u>
Workstudy	<u>1,358,672</u>	<u>1,358,672</u>	<u>801,249</u>	<u>557,423</u>
Total Federal programs	<u>62,443,949</u>	<u>62,443,949</u>	<u>23,669,984</u>	<u>38,773,965</u>
Other programs:				
Short Term Student Loan programs	688,626	688,626	224,456	464,170
Contingency	<u>796,168</u>	<u>305,670</u>	<u>4,954</u>	<u>300,716</u>
Total other programs	<u>1,484,794</u>	<u>994,296</u>	<u>229,410</u>	<u>764,886</u>
Total expenditures	<u>64,801,133</u>	<u>64,801,133</u>	<u>24,080,007</u>	<u>40,721,126</u>
Revenues over (under) expenditures	<u>(1,551,452)</u>	<u>(1,551,452)</u>	<u>(430,791)</u>	<u>1,120,661</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,303,600	1,303,600	642,700	(660,900)
Transfers (out)	<u>(633,000)</u>	<u>(633,000)</u>	-	<u>633,000</u>
Total other financing sources (uses)	<u>670,600</u>	<u>670,600</u>	<u>642,700</u>	<u>(27,900)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>(880,852)</u>	<u>(880,852)</u>	<u>211,909</u>	<u>1,092,761</u>
Beginning fund balance	<u>880,852</u>	<u>880,852</u>	<u>236,069</u>	<u>(644,783)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 447,978</u>	<u>\$ 447,978</u>

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DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of resources for, and the payment of long-term debt principal and interest. The principal resources are proceeds from tax levies, earnings from investments and transfers from other funds. Funds included in the Debt Service Fund category are:

GENERAL OBLIGATION (G.O.) BONDS DEBT SERVICE FUND -

This fund accounts for the accumulation of resources for, and the payment of general long-term debt principal and interest, regarding general obligation (G.O.) bonds. Revenues are derived from property taxes and earnings on investments.

CAPITAL LEASE/PURCHASE FUND - This fund accounts for the accumulation of resources for, and the payments of principal and interest related to certificates of participation (COP). Primary revenue sources are earnings on investments and transfers from the General Fund.

PERS DEBT SERVICE BOND FUND - This fund accounts for the payments of principal and interest related to Limited Tax Pension Bonds. Primary revenue sources are employee and employer pension contributions that are transferred from the internal service PERS Bond Fund.

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GENERAL OBLIGATION (G.O.) BONDS DEBT SERVICE FUND

	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
From local sources:				
Proceeds from tax levies - current year	\$ 36,659,817	\$ 36,659,817	\$ 18,320,267	\$ (18,339,550)
Proceeds from tax levies - prior year	971,941	971,941	320,814	(651,127)
Interest from investments	164,842	164,842	365,922	201,080
Total revenues	37,796,600	37,796,600	19,007,003	(18,789,597)
EXPENDITURES:				
Principal payments	24,590,000	36,831,000	11,750,000	25,081,000
Interest payments	12,601,652	12,816,819	6,503,290	6,313,529
Bond issuance costs	-	190,973	68,518	122,455
Total expenditures	37,191,652	49,838,792	18,321,808	31,516,984
Revenues over (under) expenditures	604,948	(12,042,192)	685,195	12,727,387
OTHER FINANCING SOURCES (USES):				
Refunded bonds issued	-	12,647,139	12,190,000	(457,139)
Premium on new bond issuance	-	-	229,869	229,869
Payment to refunded bond escrow agent	-	-	(12,343,898)	(12,343,898)
Total other financing sources (uses)	-	12,647,139	75,971	(12,571,168)
Revenues and other financing sources (uses) over (under) expenditures	604,948	604,947	761,166	156,219
Beginning fund balance	2,238,542	2,238,542	2,537,151	298,609
Ending fund balance	\$ 2,843,490	\$ 2,843,489	\$ 3,298,317	\$ 454,828

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IN FUND BALANCE - BUDGET AND ACTUAL
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<u>CAPITAL LEASE / PURCHASE FUND</u>				VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	<u>2007-2009 ORIGINAL BUDGET</u>	<u>2007-2009 FINAL BUDGET</u>	<u>1st YEAR ACTUAL</u>	
REVENUES:				
Interest from investments	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ (3,000)</u>
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
EXPENDITURES:				
Principal payment	245,000	245,000	120,000	125,000
Interest payment	<u>151,610</u>	<u>151,610</u>	<u>78,315</u>	<u>73,295</u>
Total expenditures	<u>396,610</u>	<u>396,610</u>	<u>198,315</u>	<u>198,295</u>
Revenues over (under) expenditures	<u>(393,610)</u>	<u>(393,610)</u>	<u>(198,315)</u>	<u>195,295</u>
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	<u>396,610</u>	<u>396,610</u>	<u>198,475</u>	<u>(198,135)</u>
Revenues and other financing sources (uses) over (under) expenditures	3,000	3,000	160	(2,840)
Beginning fund balance	<u>45,856</u>	<u>45,856</u>	<u>44,498</u>	<u>(1,358)</u>
Ending fund balance	<u>\$ 48,856</u>	<u>\$ 48,856</u>	<u>\$ 44,658</u>	<u>\$ (4,198)</u>

PORTLAND COMMUNITY COLLEGE
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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
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PERS DEBT SERVICE BOND FUND

	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES:				
Principal payments	\$ 3,380,000	\$ 3,380,000	\$ 1,670,000	\$ 1,710,000
Interest payments	10,388,159	10,388,159	5,214,871	5,173,288
Bond Issuance costs	10,000	10,000	-	10,000
Total expenditures	13,778,159	13,778,159	6,884,871	6,893,288
Revenues over (under) expenditures	(13,778,159)	(13,778,159)	(6,884,871)	6,893,288
OTHER FINANCING SOURCES (USES):				
Transfer from PERS Bond Fund	13,778,159	13,778,159	6,884,871	(6,893,288)
Revenues and other financing sources (uses) over (under) expenditures	-	-	-	-
Beginning fund balance	-	-	-	-
Ending fund balance	\$ -	\$ -	\$ -	\$ -

CAPITAL PROJECTS FUND

The Capital Projects Fund provides for the construction, remodeling and major maintenance of facilities and replacement of equipment for College programs and services. Funds for capital projects usually come from bond sales and transfers from other funds.

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IN FUND BALANCE - BUDGET AND ACTUAL
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	<u>CAPITAL PROJECTS FUND</u>			VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	
REVENUES:				
Interest from investments	\$ 272,000	\$ 272,000	\$ 395,598	\$ 123,598
Sale of property	-	-	5,463,023	5,463,023
Other revenues	-	-	98,629	98,629
Total revenues	272,000	272,000	5,957,250	5,685,250
EXPENDITURES:				
Capital outlay:				
District-wide projects	10,747,000	10,747,000	3,754,722	6,992,278
Total capital outlay expenditures	10,747,000	10,747,000	3,754,722	6,992,278
Contingency	550,000	2,032,000	-	2,032,000
Total expenditures	11,297,000	12,779,000	3,754,722	9,024,278
Revenues over (under) expenditures	(11,025,000)	(12,507,000)	2,202,528	14,709,528
OTHER FINANCING SOURCES:				
Transfers (out)	-	(1,254,000)	(322,497)	931,503
Transfers in	7,490,000	10,226,000	6,118,000	(4,108,000)
Total other financing sources (uses)	7,490,000	8,972,000	5,795,503	(3,176,497)
Revenues and other financing sources (uses) over (under) expenditures	(3,535,000)	(3,535,000)	7,998,031	11,533,031
Beginning fund balance	3,776,054	3,776,054	4,297,701	521,647
Ending fund balance	\$ 241,054	\$ 241,054	\$ 12,295,732	\$ 12,054,678

PROPRIETARY FUNDS

The Proprietary Funds account for the College's food services, bookstore operation, parking operation, print center, College-wide risk management program and PERS bond. Funds included in the Proprietary Funds category are:

ENTERPRISE FUNDS

FOOD SERVICES FUND – The Food Services Fund accounts for the cafeteria and related food service activities of the College. The principal sources of revenue are food service sales, vending machine income, and earnings on investments.

BOOKSTORE FUND – The Bookstore Fund provides students and staff with books and instructional supplies needed to carry out their educational programs. The principal source of revenue is sales of merchandise.

PARKING OPERATIONS FUND – The Parking Operations Fund accounts for the College parking program. The principal revenue source is from sales of parking permits.

INTERNAL SERVICE FUNDS

PRINT CENTER FUND - The Print Center Fund provides printing services for the College's community. Revenues are from user charges on the cost-reimbursement basis.

RISK MANAGEMENT FUND – The Risk Management Fund accounts for the revenues and expenses relating to management of a wide range of property and casualty insurance programs. Revenues are primarily charges from other funds.

PERS BOND FUND – The PERS Bond Fund accounts for revenues and expenses relating to the College's repayment of the bond that partially prepaid the unfunded pension actuarial liability.

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IN RETAINED EARNINGS - BUDGET AND ACTUAL
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ENTERPRISE FUND - FOOD SERVICES

	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st Year ACTUAL	VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
OPERATING REVENUES:				
Food service sales	\$ 6,608,759	\$ 6,608,759	\$ 3,024,075	\$ (3,584,684)
Vending machine income	404,275	404,275	378,326	(25,949)
TOTAL OPERATING REVENUES	7,013,034	7,013,034	3,402,401	(3,610,633)
OPERATING EXPENSES:				
Direct personnel services	2,734,794	2,920,352	1,362,985	1,557,367
Personnel benefits	1,289,006	1,403,403	593,221	810,182
Supplies, material and services	3,268,870	3,268,869	1,550,662	1,718,207
Contingency	384,736	84,782	-	84,782
TOTAL OPERATING EXPENSES	7,677,406	7,677,406	3,506,868	4,170,538
OPERATING INCOME (LOSS)	(664,372)	(664,372)	(104,467)	559,905
NON-OPERATING REVENUES (EXPENSES):				
Interest from investments	17,753	17,753	10,267	(7,486)
Transfers in	264,636	264,636	130,344	(134,292)
Transfers (out)	(83,006)	(83,006)	(26,929)	56,077
TOTAL NON-OPERATING REVENUES (EXPENSES)	199,383	199,383	113,682	(85,701)
NET INCOME (LOSS) - budgetary basis	(464,989)	(464,989)	9,215	474,204
Beginning retained earnings - budgetary basis	464,989	464,989	413,214	(51,775)
RETAINED EARNINGS - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,429</u>	<u>\$ 422,429</u>
NET INCOME (LOSS) - budgetary basis			\$ 9,215	
DEDUCT:				
Depreciation			(56,581)	
NET INCOME (LOSS) - GAAP basis			(47,366)	
Beginning retained earnings - GAAP basis			1,209,127	
RETAINED EARNINGS - GAAP basis			<u>\$ 1,161,761</u>	

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - BUDGET AND ACTUAL
For the year ended June 30, 2008

<u>ENTERPRISE FUND - BOOKSTORE</u>				VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	
OPERATING REVENUES:				
Bookstore sales	\$ 21,907,007	\$ 21,907,007	\$ 11,770,784	\$ (10,136,223)
Miscellaneous income	100,000	100,000	61,267	(38,733)
TOTAL OPERATING REVENUES	22,007,007	22,007,007	11,832,051	(10,174,956)
OPERATING EXPENSES:				
Direct personnel services	2,054,736	2,205,894	1,048,671	1,157,223
Personnel benefits	829,292	904,506	383,898	520,608
Material, supplies & services:				
Supplies and services	556,748	555,136	131,910	423,226
Credit card discount	229,864	229,864	119,558	110,306
Restocking fees	8,394	8,394	3,169	5,225
Accounts receivable - write offs	41,794	41,794	10,987	30,807
Freight in / freight out	582,420	582,420	265,670	316,750
Total materials, supplies & services	1,419,220	1,417,608	531,294	886,314
Material for resale	16,429,330	16,429,330	8,601,796	7,827,534
Capital outlay:				
Capital equipment	236,130	236,130	-	236,130
Total capital outlay	236,130	236,130	-	236,130
Contingency	3,099,536	2,874,776	-	2,874,776
TOTAL OPERATING EXPENSES	24,068,244	24,068,244	10,565,659	13,502,585
OPERATING INCOME (LOSS)	(2,061,237)	(2,061,237)	1,266,392	3,327,629

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PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - BUDGET AND ACTUAL
For the year ended June 30, 2008

ENTERPRISE FUND - BOOKSTORE

	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
NON-OPERATING REVENUES (EXPENSES):				
Transfers (out)	\$ (796,812)	\$ (796,812)	\$ (394,248)	\$ 402,564
Interest from investments	477,662	477,662	286,697	(190,965)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(319,150)	(319,150)	(107,551)	211,599
NET INCOME (LOSS) - budgetary basis	(2,380,387)	(2,380,387)	1,158,841	3,539,228
Beginning retained earnings - budgetary basis	7,781,645	7,781,645	8,436,494	654,849
RETAINED EARNINGS - budgetary basis	<u>\$ 5,401,258</u>	<u>\$ 5,401,258</u>	<u>\$ 9,595,335</u>	<u>\$ 4,194,077</u>
NET INCOME (LOSS) - budgetary basis			\$ 1,158,841	
DEDUCT:				
Depreciation			(101,172)	
NET INCOME (LOSS) - GAAP basis			1,057,669	
Beginning retained earnings - GAAP basis			10,652,842	
RETAINED EARNINGS - GAAP basis			<u>\$ 11,710,511</u>	

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PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - BUDGET AND ACTUAL
For the year ended June 30, 2008

<u>ENTERPRISE FUND - PARKING OPERATIONS</u>				VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	
OPERATING REVENUES:				
Parking permits	\$ 3,432,933	\$ 3,432,933	\$ 1,735,532	\$ (1,697,401)
Dispenser permit	550,000	550,000	282,113	(267,887)
Parking fines	410,000	410,000	167,143	(242,857)
Other revenue	50,000	50,000	22,079	(27,921)
TOTAL OPERATING REVENUES	<u>4,442,933</u>	<u>4,442,933</u>	<u>2,206,867</u>	<u>(2,236,066)</u>
OPERATING EXPENSES:				
Direct personnel services	1,180,758	1,272,835	533,835	739,000
Personnel benefits	540,774	588,093	248,744	339,349
Supplies, material and services	1,076,848	1,476,848	959,986	516,862
Capital outlay	700,000	700,000	556,440	143,560
Contingency	695,013	155,617	-	155,617
TOTAL OPERATING EXPENSES	<u>4,193,393</u>	<u>4,193,393</u>	<u>2,299,005</u>	<u>1,894,388</u>
OPERATING INCOME (LOSS)	<u>249,540</u>	<u>249,540</u>	<u>(92,138)</u>	<u>(341,678)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest from investments	62,650	62,650	44,462	(18,188)
Transfers (out)	(855,662)	(855,662)	(423,398)	432,264
TOTAL NON-OPERATING (EXPENSES)	<u>(793,012)</u>	<u>(793,012)</u>	<u>(378,936)</u>	<u>414,076</u>
NET INCOME (LOSS) - budgetary basis	<u>(543,472)</u>	<u>(543,472)</u>	<u>(471,074)</u>	<u>72,398</u>
Beginning retained earnings - budgetary basis	<u>763,185</u>	<u>763,185</u>	<u>824,791</u>	<u>(61,606)</u>
RETAINED EARNINGS - budgetary basis	<u>\$ 219,713</u>	<u>\$ 219,713</u>	<u>\$ 353,717</u>	<u>\$ 134,004</u>
NET INCOME (LOSS) - budgetary basis			\$ (471,074)	
ADD (DEDUCT):				
Capital outlay			556,440	
Depreciation			(175,447)	
NET INCOME (LOSS) - GAAP basis			(90,081)	
Beginning retained earnings - GAAP basis			<u>1,669,103</u>	
RETAINED EARNINGS - GAAP basis			<u>\$ 1,579,022</u>	

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - BUDGET AND ACTUAL
For the year ended June 30, 2008

INTERNAL SERVICE FUND - PRINT CENTER

	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
OPERATING REVENUES:				
Copy machine income	\$ 1,096,367	\$ 1,096,367	\$ 579,344	\$ (517,023)
Production income	53,600	53,600	31,156	(22,444)
Income from General Fund	820,594	820,594	337,450	(483,144)
Income from Food Services Fund	6,000	6,000	2,761	(3,239)
Income from Bookstore Fund	162,994	162,994	89,986	(73,008)
Income from Parking Operation Fund	13,506	13,506	10,346	(3,160)
Income from Contracted Programs Fund	82,295	82,295	43,260	(39,035)
Income from Auxiliary Services Fund	800	800	2,505	1,705
Income from Student Activities Fund	11,000	11,000	4,860	(6,140)
Miscellaneous income	4,160	4,160	2,262	(1,898)
TOTAL OPERATING REVENUES	2,251,316	2,251,316	1,103,930	(1,147,386)
OPERATING EXPENSES:				
Direct personnel services	706,582	756,704	307,247	449,457
Personnel benefits	335,341	359,073	134,560	224,513
Materials, supplies and services	466,274	683,540	460,290	223,250
Capital outlay: capital lease payment	635,100	417,834	98,384	319,450
Contingency	361,241	287,387	-	287,387
TOTAL OPERATING EXPENSES	2,504,538	2,504,538	1,000,481	1,504,057
OPERATING INCOME (LOSS)	(253,222)	(253,222)	103,449	356,671
NON-OPERATING REVENUES (EXPENSES):				
Interest from investments	39,957	39,957	22,828	(17,129)
Transfers (out)	(172,612)	(172,612)	(85,248)	87,364
TOTAL NON-OPERATING REVENUES (EXPENSES)	(132,655)	(132,655)	(62,420)	70,235
NET INCOME (LOSS) - budgetary basis	(385,877)	(385,877)	41,029	426,906
Beginning retained earnings - budgetary basis	509,723	509,723	363,180	(146,543)
RETAINED EARNINGS - budgetary basis	\$ 123,846	\$ 123,846	\$ 404,209	\$ 280,363
NET INCOME (LOSS) - budgetary basis			\$ 41,029	
ADD (DEDUCT):				
Lease payment			98,384	
Depreciation			(99,195)	
NET INCOME (LOSS) - GAAP basis			40,218	
Beginning retained earnings - GAAP basis			435,818	
RETAINED EARNINGS - GAAP basis			\$ 476,036	

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - BUDGET AND ACTUAL
For the year ended June 30, 2008

INTERNAL SERVICE FUND - RISK MANAGEMENT

	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
OPERATING REVENUES:				
Department workers' compensation charges	\$ 1,369,007	\$ 1,369,007	\$ 700,530	\$ (668,477)
Department unemployment insurance charges	1,103,375	1,103,375	554,126	(549,249)
Miscellaneous income	13,000	13,000	2,603	(10,397)
TOTAL OPERATING REVENUES	2,485,382	2,485,382	1,257,259	(1,228,123)
OPERATING EXPENSES:				
Direct personnel services	291,792	317,464	145,939	171,525
Personnel benefits	133,869	144,960	63,641	81,319
Materials, supplies and services:				
Supplies	15,888	15,888	23,456	(7,568)
Contracted maintenance and services	280,000	280,000	230,379	49,621
Insurance deduction expenses	-	-	54,352	(54,352)
Workers' compensation expenses	1,600,000	1,600,000	581,514	1,018,486
Unemployment insurance expenses	624,194	624,194	242,300	381,894
Claim adjusting expenses	250,000	250,000	-	250,000
Miscellaneous expenses	63,748	63,748	46,101	17,647
Contingency	857,780	821,017	-	821,017
TOTAL OPERATING EXPENSES	4,117,271	4,117,271	1,387,682	2,729,589
OPERATING INCOME (LOSS)	(1,631,889)	(1,631,889)	(130,423)	1,501,466
NON-OPERATING REVENUES:				
Interest from investments	220,241	220,241	84,492	(135,749)
TOTAL NON-OPERATING REVENUES	220,241	220,241	84,492	(135,749)
NET INCOME (LOSS)	(1,411,648)	(1,411,648)	(45,931)	1,365,717
Beginning retained earnings	3,057,609	3,057,609	3,472,935	415,326
RETAINED EARNINGS	\$ 1,645,961	\$ 1,645,961	\$ 3,427,004	\$ 1,781,043

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - BUDGET AND ACTUAL
For the year ended June 30, 2008

<u>INTERNAL SERVICE FUND - PERS BOND</u>				VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	
OPERATING REVENUES:				
Department PERS charges	\$ 19,585,691	\$ 17,304,931	\$ 12,727,585	\$ (4,577,346)
TOTAL OPERATING REVENUES	19,585,691	17,304,931	12,727,585	(4,577,346)
NON-OPERATING REVENUES (EXPENSES):				
Transfers to Debt Service Fund	(13,778,159)	(13,778,159)	(6,884,871)	6,893,288
Interest from investments	853,164	853,164	1,307,890	454,726
TOTAL NON-OPERATING EXPENSES	(12,924,995)	(12,924,995)	(5,576,981)	7,348,014
NET INCOME (LOSS)	6,660,696	4,379,936	7,150,604	2,770,668
Beginning retained earnings	21,100,756	21,100,756	23,531,433	2,430,677
RETAINED EARNINGS	<u>\$ 27,761,452</u>	<u>\$ 25,480,692</u>	<u>\$ 30,682,037</u>	<u>\$ 5,201,345</u>

FIDUCIARY FUND

PENSION TRUST FUND – EARLY RETIREMENT – The Pension Trust Fund – Early Retirement is the College's only fiduciary fund. It accounts for monies reserved by the College for the future obligations of the College's early retirement program and the related expenditures. The primary revenue sources are transfers from the General Fund and investment earnings.

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2008

PENSION TRUST FUND - EARLY RETIREMENT

	2007-2009 ORIGINAL BUDGET	2007-2009 FINAL BUDGET	1st YEAR ACTUAL	VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
OPERATING REVENUES:				
Amount provided by General Fund	\$ 1,656,288	\$ 1,656,288	\$ 828,144	\$ (828,144)
Interest from investments	109,025	109,025	100,572	(8,453)
TOTAL OPERATING REVENUES	1,765,313	1,765,313	928,716	(836,597)
OPERATING EXPENSES:				
Benefits	1,549,412	1,549,412	491,522	1,057,890
Contingency	200,000	200,000	-	200,000
TOTAL OPERATING EXPENSES	1,749,412	1,749,412	491,522	1,257,890
NET INCOME (LOSS)	15,901	15,901	437,194	421,293
Beginning fund balance	1,493,864	1,493,864	1,694,940	201,076
ENDING FUND BALANCE	\$ 1,509,765	\$ 1,509,765	\$ 2,132,134	\$ 622,369



OTHER FINANCIAL SCHEDULES

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 2008

GENERAL OBLIGATION BONDS

FISCAL YEAR	<u>SERIES 2001A, ISSUED 5/22/2001</u>		TOTAL REQUIREMENTS
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2008-09	\$ 1,970,000	\$ 305,876	\$ 2,275,876
2009-10	2,055,000	211,709	2,266,709
2010-11	2,145,000	115,685	2,260,685
TOTALS	<u>\$ 6,170,000</u>	<u>\$ 633,270</u>	<u>\$ 6,803,270</u>

FISCAL YEAR	<u>SERIES 2001B, ISSUED 7/12/2001</u>		TOTAL REQUIREMENTS
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2008-09	\$ 4,135,000	\$ 637,649	\$ 4,772,649
2009-10	4,310,000	441,341	4,751,341
2010-11	4,550,000	241,165	4,791,165
TOTALS	<u>\$ 12,995,000</u>	<u>\$ 1,320,155</u>	<u>\$ 14,315,155</u>

GENERAL OBLIGATION CITIZEN BONDS (ZERO-COUPON)

<u>MATURITY -- JULY 1st</u>	<u>MATURITY (FACE) VALUE</u>	<u>DISCOUNT</u>	<u>PRINCIPAL OUTSTANDING</u>
2013	<u>\$ 1,165,000</u>	<u>\$ 285,410</u>	<u>\$ 879,590</u>

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 2008

GENERAL OBLIGATION - ADVANCE REFUNDING BONDS

FISCAL YEAR	SERIES 1997, ISSUED 11/01/1997		TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	
2008-09	\$ 2,510,000	\$ 666,980	\$ 3,176,980

FISCAL YEAR	SERIES 2002A, ISSUED 4/30/2002		TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	
2008-09	\$ 1,190,000	\$ 409,294	\$ 1,599,294
2009-10	1,185,000	361,794	1,546,794
2010-11	1,175,000	314,006	1,489,006
2011-12	1,165,000	265,891	1,430,891
2012-13	1,155,000	217,319	1,372,319
2013-14	3,505,000	96,388	3,601,388
TOTALS	\$ 9,375,000	\$ 1,664,692	\$ 11,039,692

FISCAL YEAR	SERIES 2005, ISSUED 6/15/2005		TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	
2008-09	\$ 3,035,000	\$ 4,078,563	\$ 7,113,563
2009-10	430,000	3,964,750	4,394,750
2010-11	1,095,000	3,948,625	5,043,625
2011-12	8,725,000	3,907,563	12,632,563
2012-13	10,000,000	3,483,500	13,483,500
2013-14	10,835,000	2,983,500	13,818,500
2014-15	10,635,000	2,441,750	13,076,750
2015-16	11,635,000	1,910,000	13,545,000
2016-17	12,710,000	1,328,250	14,038,250
2017-18	13,855,000	692,750	14,547,750
TOTALS	\$ 82,955,000	\$ 28,739,251	\$ 111,694,251

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 2008

GENERAL OBLIGATION - ADVANCE REFUNDING BONDS

FISCAL YEAR	SERIES 2008, ISSUED 5/29/2008		TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	
2008-09	\$ 255,000	\$ 230,435	\$ 485,435
2009-10	2,770,000	348,600	3,118,600
2010-11	2,905,000	263,475	3,168,475
2011-12	3,050,000	174,150	3,224,150
2012-13	3,210,000	64,200	3,274,200
TOTALS	<u>\$ 12,190,000</u>	<u>\$ 1,080,860</u>	<u>\$ 13,270,860</u>

LIMITED TAX PENSION BONDS

FISCAL YEAR	SERIES 2003, ISSUED 6/12/2003		TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	
2008-09	\$ 1,710,000	\$ 5,173,287	\$ 6,883,287
2009-10	1,765,000	5,125,065	6,890,065
2010-11	1,930,000	5,068,409	6,998,409
2011-12	2,290,000	5,001,438	7,291,438
2012-13	2,685,000	4,917,395	7,602,395
2013-14	3,110,000	4,815,097	7,925,097
2014-15	3,565,000	4,693,496	8,258,496
2015-16	4,060,000	4,551,252	8,611,252
2016-17	4,590,000	4,385,198	8,975,198
2017-18	5,165,000	4,192,877	9,357,877
2018-19	5,810,000	3,944,441	9,754,441
2019-20	6,505,000	3,664,980	10,169,980
2020-21	7,250,000	3,352,089	10,602,089
2021-22	8,050,000	3,003,364	11,053,364
2022-23	8,910,000	2,616,159	11,526,159
2023-24	9,825,000	2,187,588	12,012,588
2024-25	10,810,000	1,715,006	12,525,006
2025-26	11,860,000	1,195,045	13,055,045
2026-27	12,985,000	624,579	13,609,579
TOTALS	<u>\$ 112,875,000</u>	<u>\$ 70,226,765</u>	<u>\$ 183,101,765</u>

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 2008

CERTIFICATE OF PARTICIPATION AND UTILITY LOAN PAYABLE

CERTIFICATE OF PARTICIPATION

FISCAL YEAR	SERIES 1998, ISSUED 4/01/98		TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	
2008-09	\$ 125,000	\$ 73,135	\$ 198,135
2009-10	130,000	67,510	197,510
2010-11	135,000	61,660	196,660
2011-12	140,000	55,450	195,450
2012-13	150,000	48,870	198,870
2013-14	155,000	41,820	196,820
2014-15	165,000	34,380	199,380
2015-16	170,000	26,460	196,460
2016-17	180,000	18,130	198,130
2017-18	190,000	9,310	199,310
TOTALS	<u>\$ 1,540,000</u>	<u>\$ 436,725</u>	<u>\$ 1,976,725</u>

UTILITY LOAN PAYABLE

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2008-09	\$ 19,064	\$ 3,470	\$ 22,534
2009-10	21,099	1,674	22,773
2010-11	16,027	435	16,462
TOTALS	<u>\$ 56,190</u>	<u>\$ 5,579</u>	<u>\$ 61,769</u>

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED -- GENERAL FUND
For the year ended June 30, 2008

TAX YEAR	ORIGINAL LEVY AND BALANCE UNCOLLECTED 7/1/2007	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/08
GENERAL FUND:						
Current:						
2007-08	\$ 24,187,924	\$ (603,999)	\$ (62,433)	\$ 10,837	\$ (22,846,339)	\$ 685,990
Prior years:						
2006-07	571,733	191	(17,165)	13,052	(374,125)	193,686
2005-06	171,217	221	(11,380)	6,503	(83,965)	82,596
2004-05	80,626	108	(6,458)	6,326	(47,263)	33,339
2003-04	31,681	94	(4,570)	3,636	(22,502)	8,339
2002-03	9,593	5	(1,328)	652	(2,622)	6,300
2001 and prior	22,317	4	(1,719)	1,243	(3,568)	18,277
Total prior	887,167	623	(42,620)	31,412	(534,045)	342,537
Total General Fund	\$ 25,075,091	\$ (603,376)	\$ (105,053)	\$ 42,249	\$ (23,380,384)	\$ 1,028,527

RECONCILIATION TO REVENUES:

	GENERAL FUND
Cash collection by county treasurer above	\$ 23,380,384
Property taxes susceptible to accrual at June 30, 2008	125,273
Property taxes susceptible to accrual at July 1, 2007	(139,773)
Taxes in lieu of property taxes and other adjustments	215,906
Total revenues	\$ 23,581,790

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED -- DEBT SERVICE FUND
For the year ended June 30, 2008

TAX YEAR	ORIGINAL LEVY AND BALANCE UNCOLLECTED 7/1/2007	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/08
DEBT SERVICE FUND:						
Current:						
2007-08	\$ 19,170,305	\$ (478,700)	\$ (49,544)	\$ 8,590	\$ (18,106,871)	\$ 543,780
Prior years:						
2006-07	420,871	141	(12,621)	9,578	(275,354)	142,615
2005-06	129,403	168	(8,582)	4,930	(63,462)	62,457
2004-05	65,646	90	(5,243)	5,121	(38,461)	27,153
2003-04	26,224	78	(3,743)	2,974	(18,477)	7,056
2002-03	7,277	4	(1,008)	492	(1,989)	4,776
2001 and prior	9,091	1	(235)	1,143	(2,998)	7,002
Total prior	658,512	482	(31,432)	24,238	(400,741)	251,059
Total Debt Service Fund	<u>\$ 19,828,817</u>	<u>\$ (478,218)</u>	<u>\$ (80,976)</u>	<u>\$ 32,828</u>	<u>\$ (18,507,612)</u>	<u>\$ 794,839</u>

RECONCILIATION TO REVENUES:	DEBT SERVICE FUND
Cash collection by county treasurer above	\$ 18,507,612
Property taxes susceptible to accrual at June 30, 2008	98,308
Property taxes susceptible to accrual at July 1, 2007	(104,324)
Taxes in lieu of property taxes and other adjustments	<u>139,485</u>
Total revenues	<u>\$ 18,641,081</u>



STATISTICAL SECTION

This part of Portland Community College's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the College's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the College's financial performance and well-being have changed over time.	65
Revenue Capacity These schedules contain information to help the reader assess the College's most significant revenue sources, tuition and property tax.	69
Debt Capacity These schedules present information to help the reader assess the affordability of the College's current levels of outstanding debt and the College's ability to issue additional debt in the future.	77
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the College's financial activities take place.	82
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the College's financial report relates to the services the College provides and the activities it performs.	85

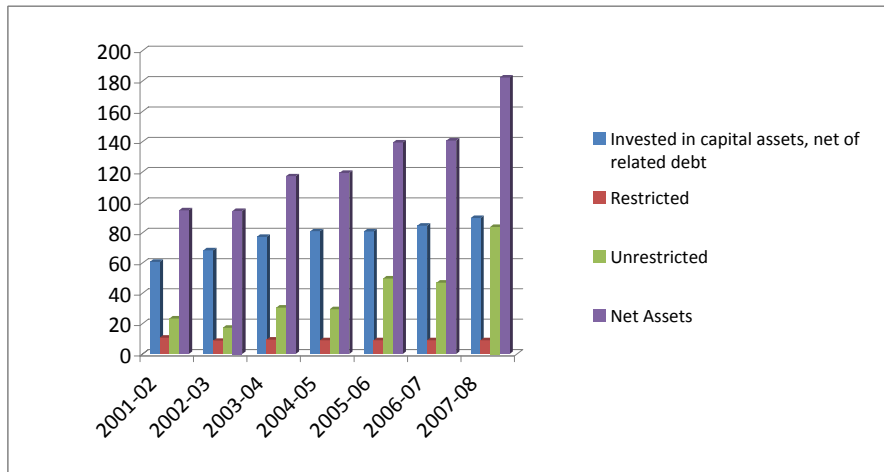
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The College implemented GASB Statement 35 in 2002; schedules presenting "government-wide information" include information beginning that year.

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS (in Thousands)

	2007-08	2006-07	2005-06	2004-05
Net assets invested in capital assets (1)	\$ 219,660	\$ 226,769	\$ 228,863	\$ 225,776
Less related debt	(129,947)	(142,130)	(148,176)	(144,881)
Invested in capital assets, net	89,713	84,639	80,687	80,895
Net assets, restricted	8,952	9,056	8,996	8,975
Net assets, unrestricted (1)	83,649	46,960	49,805	29,538
TOTAL NET ASSETS (1)	\$ 182,314	\$ 140,655	\$ 139,488	\$ 119,408

(1) As restated in 2006, 2005, 2004, 2003 and 2002.



<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
\$ 202,340	\$ 143,388	\$ 113,142
<u>(125,142)</u>	<u>(75,124)</u>	<u>(52,366)</u>
77,198	68,264	60,776
9,497	8,688	10,683
<u>30,460</u>	<u>17,307</u>	<u>23,301</u>
<u>\$ 117,155</u>	<u>\$ 94,259</u>	<u>\$ 94,760</u>

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

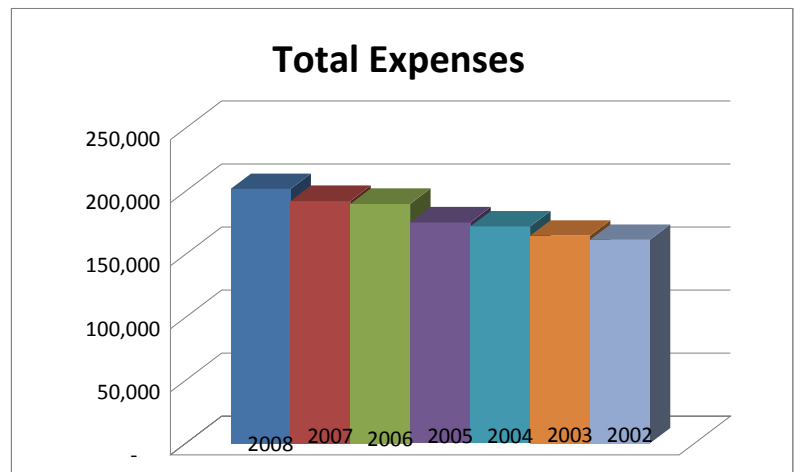
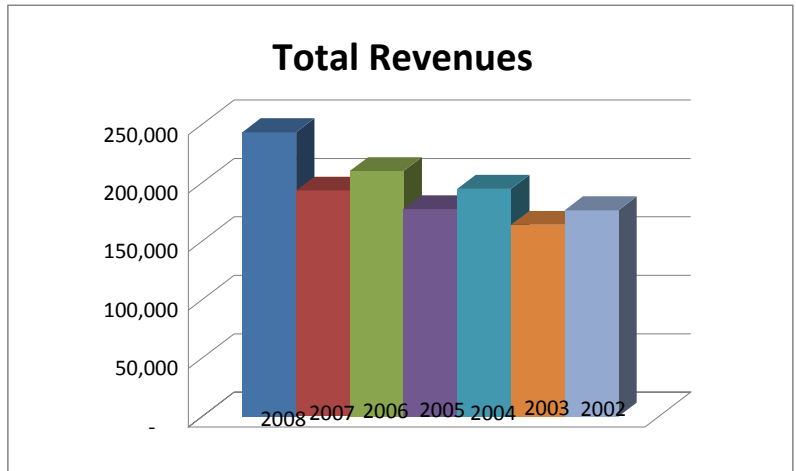
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS (in Thousands)

	2007-08	2006-07	2005-06	2004-05
Operating revenues				
Student tuition and fees, net	\$ 49,203	\$ 45,085	\$ 41,213	\$ 39,887
Grants and contracted programs	19,845	20,958	20,248	19,909
Auxiliary enterprises	14,678	13,564	13,039	13,238
Other operating revenues	3,129	3,775	4,343	3,922
Total operating revenues	86,855	83,382	78,843	76,956
Nonoperating revenues				
State FTE reimbursement	81,165	42,146	66,695	37,722
Property taxes	42,504	39,100	37,715	37,100
Federal financial aid	20,837	17,631	17,522	17,745
State and local grants and contracts	6,961	6,814	5,935	5,826
Investment income	4,362	4,149	3,209	2,038
Gain on disposal of assets	601	-	-	-
Other nonoperating revenues	-	-	-	-
Total nonoperating revenues	156,430	109,840	131,076	100,431
Total Revenues	243,285	193,222	209,919	177,387
Operating expenses				
Campus educational and campus general	89,456	84,332	78,907	82,283
Other educational and general	41,671	36,917	45,930	30,356
Grants and contracted programs	24,841	25,675	24,516	23,369
Auxiliary enterprises	16,228	14,914	14,232	14,136
Student financial aid, net tuition and textbooks	6,517	6,617	5,726	6,671
Other support services	3,608	3,303	2,674	3,134
Depreciation and amortization	7,509	7,292	6,770	5,059
Total operating expenses	189,830	179,050	178,755	165,008
Nonoperating expenses				
Interest expense	11,796	12,412	10,884	9,667
Other nonoperating expenses	-	593	200	459
Total nonoperating expenses	11,796	13,005	11,084	10,126
Total Expenses	201,626	192,055	189,839	175,134
TOTAL INCREASE (DECREASE) IN NET ASSETS (1)	\$ 41,659	\$ 1,167	\$ 20,080	\$ 2,253

(1) As restated in 2006, 2005, 2004, 2003 and 2002.



2003-04	2002-03	2001-02
\$ 34,938	\$ 32,435	\$ 27,667
19,392	17,674	17,303
13,062	13,305	12,565
5,947	5,265	4,649
73,339	68,679	62,184
62,346	34,994	51,653
36,028	33,391	35,605
16,388	14,034	13,193
5,323	5,280	4,741
1,329	5,146	7,261
-	-	-
-	2,500	1,853
121,414	95,345	114,306
194,753	164,024	176,490
80,101	75,755	73,235
28,473	29,810	30,477
22,751	20,695	18,773
14,157	13,025	11,810
7,757	8,195	8,274
3,568	4,349	6,730
4,666	3,496	2,875
161,473	155,325	152,174
10,226	9,200	9,082
158	-	-
10,384	9,200	9,082
171,857	164,525	161,256
\$ 22,896	\$ (501)	\$ 15,234



PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

REVENUES BY SOURCES
LAST SEVEN FISCAL YEARS (in Thousands)

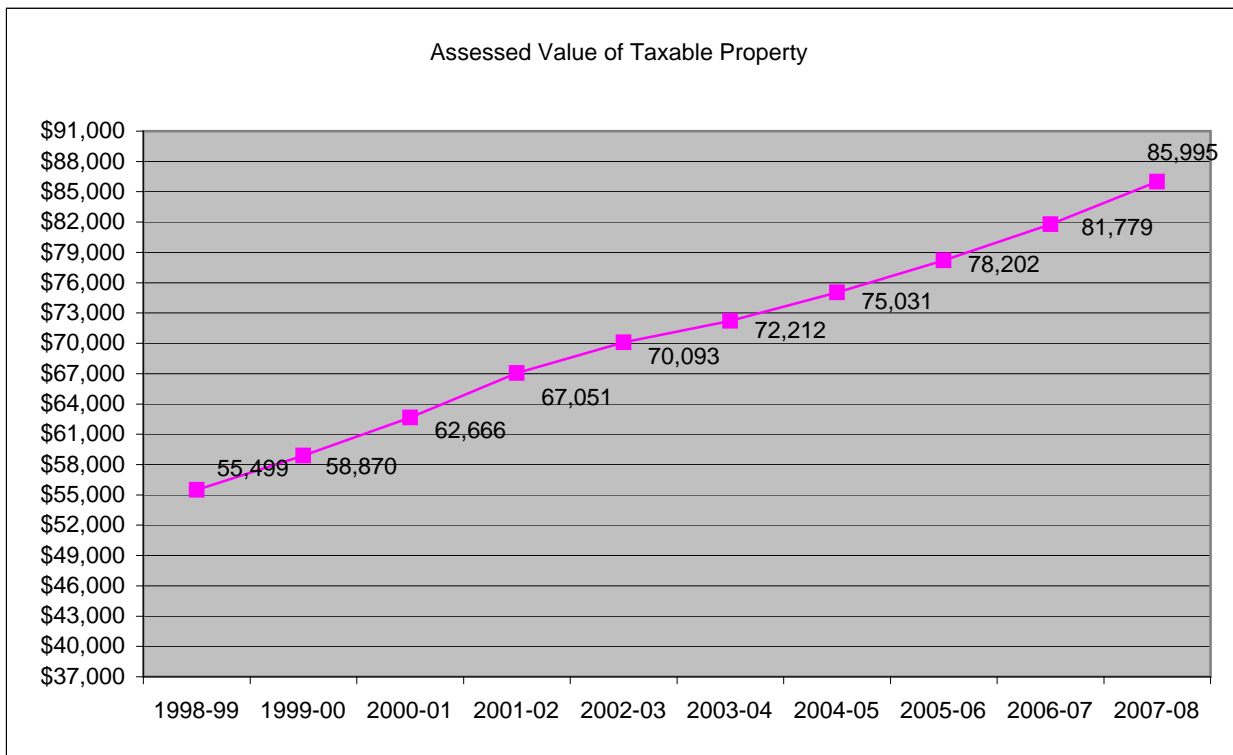
	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Federal sources:							
Federal financial aid	\$ 20,837	\$ 17,631	\$ 17,522	\$ 17,745	\$ 16,388	\$ 14,034	\$ 13,193
Other federal grants and contracts	19,845	20,958	20,248	19,909	19,392	17,674	17,303
Total federal sources	40,682	38,589	37,770	37,654	35,780	31,708	30,496
State sources:							
State FTE reimbursement	81,165	42,146	66,695	37,722	62,346	34,994	51,653
Other state grants and contracts	6,961	6,814	5,935	5,826	5,323	5,280	4,741
Total state sources	88,126	48,960	72,630	43,548	67,669	40,274	56,394
Local sources:							
Property taxes	42,504	39,100	37,715	37,100	36,028	33,391	35,605
Student tuition and fees, net of scholarship allowance (1)	49,203	45,085	41,213	39,887	34,938	32,435	27,667
Auxiliary enterprise:							
Food Services	3,402	3,085	3,051	3,089	2,905	2,851	2,750
Bookstore, net of scholarship allowance	9,070	8,504	8,167	8,461	8,580	8,765	8,169
Parking Operation	2,206	1,975	1,821	1,688	1,577	1,689	1,646
Investment income	4,362	4,149	3,209	2,038	1,329	5,146	7,261
Gain on disposal of capital assets	601	-	-	-	-	-	-
Other local sources (1)	3,129	3,775	4,343	3,922	5,947	7,765	6,502
Total local sources	114,477	105,673	99,519	96,185	91,304	92,042	89,600
Total revenues (1)	<u>\$ 243,285</u>	<u>\$ 193,222</u>	<u>\$ 209,919</u>	<u>\$ 177,387</u>	<u>\$ 194,753</u>	<u>\$ 164,024</u>	<u>\$ 176,490</u>

(1) As restated in 2006, 2005, 2004, 2003 and 2002.

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

ASSESSED AND REAL MARKET VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS (in Thousands)

	2007-08	2006-07	2005-06	2004-05
Assessed Valuation	\$ 85,994,505	\$ 81,778,844	\$ 78,201,863	\$ 75,030,939
Percentage Increased (decreased)	5.2%	4.6%	4.2%	3.9%
Real Market Valuation	\$ 163,621,726	\$ 143,776,579	\$ 123,143,688	\$ 115,982,407
Percentage Increased (decreased)	13.8%	16.8%	6.2%	-4.9%
Ratio of Assessed Valuation to Real Market Valuation	52.6%	56.9%	63.5%	64.7%



Source: Tax Supervising and Conservation Commission, Portland, Oregon

<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
\$ 72,212,490	\$ 70,093,393	\$ 67,051,397	\$ 62,665,635	\$ 58,870,407	\$ 55,498,582
3.0%	4.5%	7.0%	6.4%	6.1%	6.9%
\$ 121,895,037	\$ 113,625,645	\$ 104,117,037	\$ 95,845,124	\$ 87,064,429	\$ 72,520,879
7.3%	9.1%	8.6%	10.1%	20.1%	7.6%
59.2%	61.7%	64.4%	65.4%	67.6%	76.5%

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS
LAST TEN FISCAL YEARS (in Thousands)

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Tax rate (1)	<u>\$ 0.51</u>	<u>\$ 0.49</u>	<u>\$ 0.50</u>	<u>\$ 0.51</u>
Levy extended by assessor (2)	<u>\$ 43,358</u>	<u>\$ 39,893</u>	<u>\$ 38,725</u>	<u>\$ 38,140</u>
Reduction of taxes receivable: (3) (4)				
Current year	<u>\$ 42,128</u>	<u>\$ 38,900</u>	<u>\$ 37,789</u>	<u>\$ 37,145</u>
First year prior	656	635	704	721
Second year prior	156	144	177	217
Third year prior	86	94	101	124
Fourth year prior	43	46	51	42
Fifth year prior	6	9	4	5
Sixth year prior and earlier	<u>4</u>	<u>5</u>	<u>5</u>	<u>6</u>
Total prior	<u>950</u>	<u>933</u>	<u>1,042</u>	<u>1,116</u>
Total Property Taxes	<u>\$ 43,079</u>	<u>\$ 39,833</u>	<u>\$ 38,831</u>	<u>\$ 38,261</u>

(1) Rates per \$1,000 of assessed value. This is the combined rate of the General and Debt Service Funds.

(2) Extended levy after additions and offsets by the county assessor.

(3) Amounts include collections, interest on deficiencies, discount allowed for early payment and adjustments and cancellations made by the county assessors.

(4) Amounts are based upon the tax collection year July 1 to June 30.

Revenues as recorded in the financial statements are recognized when measurable and available.

Sources: Departments of Assessment and Taxation for Clackamas, Columbia, Multnomah, Washington and Yamhill counties
Portland Community College financial records
Tax Supervising and Conservation Commission

<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
<u>\$ 0.51</u>	<u>\$ 0.49</u>	<u>\$ 0.55</u>	<u>\$ 0.37</u>	<u>\$ 0.35</u>	<u>\$ 0.35</u>
<u>\$ 36,817</u>	<u>\$ 34,523</u>	<u>\$ 36,539</u>	<u>\$ 23,127</u>	<u>\$ 20,981</u>	<u>\$ 19,342</u>
<u>\$ 35,767</u>	<u>\$ 33,434</u>	<u>\$ 35,344</u>	<u>\$ 22,362</u>	<u>\$ 20,238</u>	<u>\$ 18,688</u>
707	732	451	453	408	357
203	174	139	111	112	118
86	101	79	68	73	76
37	46	38	32	27	33
4	11	4	3	4	5
5	4	7	5	6	9
<u>1,043</u>	<u>1,069</u>	<u>719</u>	<u>671</u>	<u>630</u>	<u>598</u>
<u>\$ 36,810</u>	<u>\$ 34,504</u>	<u>\$ 36,063</u>	<u>\$ 23,033</u>	<u>\$ 20,867</u>	<u>\$ 19,286</u>



PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON
LARGEST PROPERTY TAXPAYERS WITHIN DISTRICT
(in Thousands)

	2008		PERCENT OF TOTAL DISTRICT'S ASSESSED VALUATION
	ASSESSED VALUATION	RANK	
Intel Corporation	\$ 1,073,118	1	1.25 %
Portland General Electric	649,247	2	0.75
Verizon Northwest Inc.	513,401	3	0.60
Northwest Natural	445,095	4	0.52
Nike	348,297	5	0.41
Qwest Wireless	291,823	6	0.34
Pacific Realty Associates	261,692	7	0.30
PacifiCorp (PP&L)	214,929	8	0.25
Weston Investment Co.	205,381	9	0.24
Oregon Steel Mills	170,274	10	0.20
	<u>4,173,257</u>		<u>4.85</u>
ALL OTHER TAXPAYERS	<u>81,821,248</u>		<u>95.15</u>
TOTAL	<u>\$ 85,994,505</u>		<u>100.00 %</u>

	1999		PERCENT OF TOTAL DISTRICT'S ASSESSED VALUATION
	ASSESSED VALUATION	RANK	
Intel Corporation	\$ 794,012	1	1.43 %
US West Communication Inc.	342,933	2	0.62
Portland General Electric	331,232	3	0.60
GTE Northwest Inc.	268,433	4	0.48
Komatsu Silicon America Inc.	215,343	5	0.39
Northwest Natural	198,243	6	0.36
Nike	182,808	7	0.33
Pacific Realty Associates	168,195	8	0.30
Tektronix	161,861	9	0.29
PacifiCorp	153,814	10	0.28
	<u>2,816,874</u>		<u>5.08</u>
ALL OTHER TAXPAYERS	<u>52,681,708</u>		<u>94.92</u>
TOTAL	<u>\$ 55,498,582</u>		<u>100.00 %</u>

Source: Department of Assessment and Taxation, Multnomah County
Department of Assessment and Taxation, Washington County
Department of Assessment and Taxation, Yamhill County
City of Portland Disclosure Information

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

PROPERTY TAX LEVIES AND COLLECTIONS - ALL FUNDS
LAST TEN FISCAL YEARS (in Thousands)

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Current tax levy	\$ 43,358	\$ 39,893	\$ 38,725	\$ 38,140	\$ 36,817
Current tax collections	\$ 40,953	\$ 37,805	\$ 36,677	\$ 36,012	\$ 34,707
Current collections as a percentage of current levy	94.4%	94.7%	94.7%	94.4%	94.3%
Delinquent tax collections	\$ 935	\$ 856	\$ 967	\$ 1,694	\$ 1,096
Total tax collections	\$ 41,888	\$ 38,661	\$ 37,644	\$ 37,706	\$ 35,804
Total tax collections as a percentage of current levy	96.6%	97.0%	97.2%	98.9%	97.2%
Uncollected tax	\$ 1,823	\$ 1,544	\$ 1,487	\$ 1,593	\$ 1,714
Uncollected percentage of current levy	4.2%	3.9%	3.8%	4.2%	4.7%

Sources: Clackamas, Columbia, Washington, Multnomah and Yamhill Departments of Assessment and Taxation

<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
\$ 34,523	\$ 36,539	\$ 23,127	\$ 20,981	\$ 19,342
\$ 32,457	\$ 34,340	\$ 21,741	\$ 19,691	\$ 18,217
94.0%	94.0%	94.0%	93.9%	94.2%
\$ 1,027	\$ 740	\$ 611	\$ 629	\$ 664
\$ 33,485	\$ 34,951	\$ 22,370	\$ 20,320	\$ 18,881
97.0%	95.7%	96.7%	96.9%	97.6%
\$ 1,707	\$ 1,687	\$ 1,283	\$ 1,189	\$ 1,077
4.9%	4.6%	5.5%	5.7%	5.6%

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (in Thousands)

	2007-08	2006-07	2005-06	2004-05	2003-04
General obligation bonds	\$ 127,075	\$ 138,567	\$ 149,089	\$ 158,568	\$ 167,767
Actual property value	\$ 163,621,726	\$ 143,776,579	\$ 123,143,688	\$ 115,982,407	\$ 121,895,037
Percentage of actual property value	0.08%	0.10%	0.12%	0.14%	0.14%
Student population (estimated)	87	86	88	91	84
Per capita	\$ 1.46	\$ 1.61	\$ 1.69	\$ 1.74	\$ 2.00
Other Governmental non tax bonded debt					
Limited tax pension bonds	\$ 112,875	\$ 114,545	\$ 116,180	\$ 117,730	\$ 118,965
Certificate of participation	\$ 1,540	\$ 1,660	\$ 1,775	\$ 1,885	\$ 1,990
Utility loan	\$ 56	\$ 73	\$ 90	\$ 103	\$ 115
Student population (estimated)	87	86	88	91	84
Per capita	\$ 1.30	\$ 1.33	\$ 1.32	\$ 1.29	\$ 1.42
Total Debt					
Total Debt	\$ 241,546	\$ 254,845	\$ 267,134	\$ 278,286	\$ 288,837
Actual property value	\$ 163,621,726	\$ 143,776,579	\$ 123,143,688	\$ 115,982,407	\$ 121,895,037
Percentage of actual property value	0.15%	0.18%	0.22%	0.24%	0.24%
Student population (estimated)	87	86	88	91	84
Per capita	\$ 2.78	\$ 2.96	\$ 3.04	\$ 3.06	\$ 3.44

Sources: Tax Supervising and Conservation Commission, Portland, Oregon
Portland Community College - Institutional Effectiveness
Portland Community College financial and statistical records

2002-03	2001-02	2000-01	1999-00	1998-99
\$ 175,231	\$ 198,060	\$ 91,412	\$ 47,797	\$ 50,035
\$ 113,625,645	\$ 104,117,037	\$ 95,845,124	\$ 87,064,429	\$ 72,520,879
0.15%	19.00%	0.10%	0.05%	0.07%
102	106	98	97	90
\$ 1.72	\$ 1.87	\$ 0.93	\$ 0.49	\$ 0.56
\$ 119,995	\$ -	\$ -	\$ -	\$ -
\$ 2,090	\$ 2,185	\$ 2,275	\$ 2,365	\$ 3,855
\$ 126	\$ 136	\$ 144	\$ 144	\$ 144
102	106	98	97	90
\$ 1.18	\$ -	\$ -	\$ -	\$ -
\$ 297,442	\$ 200,381	\$ 93,831	\$ 50,306	\$ 54,034
\$ 113,625,645	\$ 104,117,037	\$ 95,845,124	\$ 87,064,429	\$ 72,520,879
0.26%	0.19%	0.10%	0.06%	0.07%
102	106	98	97	90
\$ 2.92	\$ 1.89	\$ 0.96	\$ 0.52	\$ 0.60

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

RATIOS OF GENERAL BONDED DEBT OUTSTANDING AND LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS (in Thousands)

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
General obligation bonds outstanding	\$ 127,075	\$ 138,567	\$ 149,089	\$ 158,568	\$ 167,767
Less: Amounts set aside to repay general debt	<u>(15,743)</u>	<u>(2,537)</u>	<u>(3,216)</u>	<u>(3,668)</u>	<u>(2,573)</u>
Total net debt applicable to debt limit (1)	111,332	136,030	145,873	154,900	165,194
Legal debt limit (2)	<u>2,454,326</u>	<u>2,156,649</u>	<u>1,847,155</u>	<u>1,739,736</u>	<u>1,828,426</u>
Legal debt margin	<u>\$ 2,342,994</u>	<u>\$ 2,020,619</u>	<u>\$ 1,701,282</u>	<u>\$ 1,584,836</u>	<u>\$ 1,663,232</u>
Legal debt margin as a percentage of the debt limit	95.46%	93.69%	92.10%	91.10%	90.97%

(1) The Certificate of Participation and limited tax pension bonds do not meet the definition of gross bonded debt per ORS 341.675.

(2) The legal debt limit for the gross bonded debt is calculated as 1.5% of real market value.

Source: Tax Supervising and Conservation Commission, Portland, Oregon

<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
\$ 175,231	\$ 198,060	\$ 91,412	\$ 47,797	\$ 50,035
<u>(1,854)</u>	<u>(19,655)</u>	<u>(2,420)</u>	<u>(1,609)</u>	<u>(1,772)</u>
173,377	178,405	88,992	46,188	48,263
<u>1,704,385</u>	<u>1,561,756</u>	<u>1,437,677</u>	<u>1,305,966</u>	<u>1,087,813</u>
<u><u>\$ 1,531,008</u></u>	<u><u>\$ 1,383,351</u></u>	<u><u>\$ 1,348,685</u></u>	<u><u>\$ 1,259,778</u></u>	<u><u>\$ 1,039,550</u></u>
89.83%	88.58%	93.81%	96.46%	95.56%

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

DIRECT AND OVERLAPPING GROSS BONDED DEBT
June 30, 2008
(dollars in Thousands)

	PERCENT OVERLAP	OVERLAPPING GROSS BONDED DEBT (1)
<u>OVERLAPPING DISTRICT</u>		
DIRECT DEBT		
Portland Community College General Obligation Bonds (2)	100%	\$ 127,075
OVERLAPPING DISTRICT		
Clackamas County	17.9%	13,814
Clackamas County School District 7J (Lake Oswego)	98.5%	119,864
City of Lake Oswego	98.9%	25,377
Columbia County	72.5%	12,436
Columbia County School District 502 (St Helens)	99.9%	33,484
Northwest Regional ESD	81.4%	6,372
Multnomah County	73.9%	215,064
Port of Portland	68.0%	49,707
Multnomah County Drainage District No.1	100.0%	5,580
Metro	72.2%	202,219
Tri-Met	72.9%	32,350
Multnomah County School District 1J (Portland)	100.0%	490,277
Multnomah County School District 51J (Riverdale)	100.0%	11,455
Multnomah ESD	72.7%	27,075
City of Portland	85.1%	605,769
Washington County	100.0%	119,475
Tualatin Hills Park & Rec. District	100.0%	15,421
Tualatin Valley Fire & Rescue District	83.9%	17,176
Washington County School District 13 (Banks)	100.0%	11,400
Washington County School District 15 (Forest Grove)	100.0%	77,145
Washington County School District 23J (Tigard-Tualatin)	97.2%	140,885
Washington County School District 48J (Beaverton)	100.0%	560,275
Washington County School District 88J (Sherwood)	92.4%	133,020
Washington County School District 1J (Hillsboro)	100.0%	381,053
City of Beaverton	100.0%	14,220
City of Forest Grove	100.0%	7,815
City of Hillsboro	100.0%	25,165
City of Sherwood	100.0%	14,844
City of Tigard	100.0%	12,622
City of Tualatin	90.0%	12,596
Chehalam Park & Recreation District	100.0%	7,130
Yamhill County School District 29J (Newberg)	97.1%	84,738
City of Newberg	100.0%	5,910
Clackamas County ESD	19.0%	5,202
Other	100.0%	26,046
Total Overlapping Debt		3,522,981
TOTAL DIRECT AND OVERLAPPING DEBT		\$ 3,650,056

(1) Gross Bonded Debt includes all bonds backed by general obligation pledge including Bancroft Act general obligation improvement bonds, self-supporting obligation bonds and limited tax debt.

(2) The Certificate of Participation and limited tax pension bonds do not meet the definition of gross bonded debt per ORS 341.675.

Source: Oregon State Treasury

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON
LARGEST EMPLOYERS WITHIN DISTRICT

2008				
	EMPLOYEES	RANK	PERCENT OF TOTAL DISTRICT'S EMPLOYMENT	
Intel Corporation	15,500	1	1.42	%
Fred Meyer Stores	14,684	2	1.34	
Oregon Health & Science University	12,600	3	1.15	
Providence Health System	12,000	4	1.10	
Kaiser Foundation Health Plan of the NW	9,000	5	0.82	
Legacy Health System	8,251	6	0.75	
Nike Inc.	7,000	7	0.64	
Wells Fargo	5,969	8	0.55	
Multnomah County	5,640	9	0.52	
City of Portland	5,587	10	0.51	
SUB TOTAL	96,231		8.79	
ALL OTHER EMPLOYERS	998,299		91.21	
TOTAL	1,094,530		100.00	%

2001 (1)				
	EMPLOYEES	RANK	PERCENT OF TOTAL DISTRICT'S EMPLOYMENT	
Intel Corporation	15,000	1	1.47	%
Fred Meyer Stores	13,325	2	1.30	
Providence Health System	12,800	3	1.25	
Oregon Health & Science University	10,100	4	0.99	
Legacy Health System	7,158	5	0.70	
Kaiser Foundation Health Plan of the NW	7,093	6	0.69	
Safeway	6,000	7	0.59	
City of Portland	5,000	8	0.49	
State of Oregon	4,475	9	0.44	
Beaverton School District	2,885	10	0.28	
SUB TOTAL	83,836		8.20	
ALL OTHER EMPLOYERS	938,078		91.80	
TOTAL	1,021,914		100.00	%

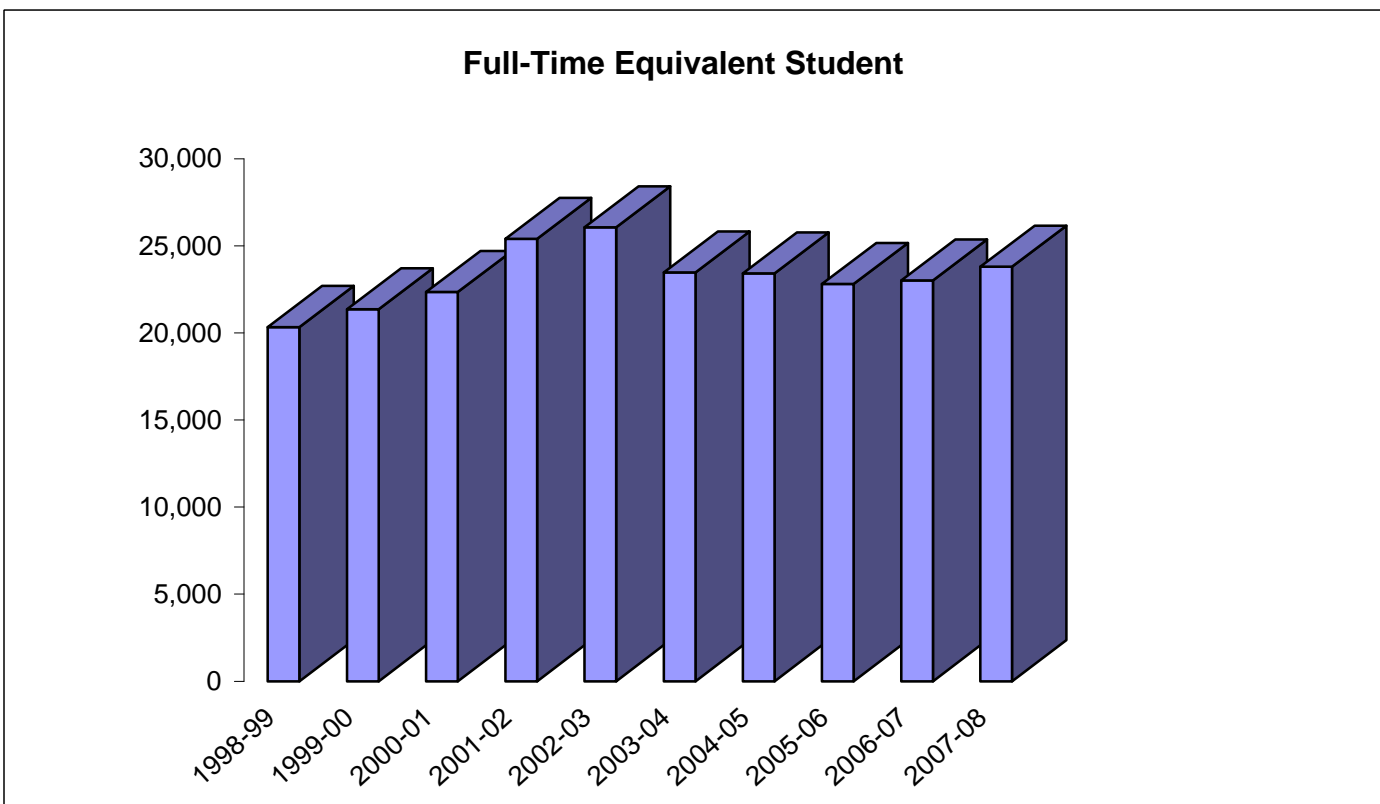
(1) Data prior to 2001 was not available.

Sources: Oregon Employment Department, Oregon Labor Market Information System
Portland Business Journal June 6, 2008

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

	2007-08	2006-07	2005-06	2004-05	2003-04
District population (estimated) (1)	N/A	1,201,048	1,182,385	1,164,115	1,148,545
District per capita income (estimated) (1)	N/A	N/A	\$ 36,845	\$ 35,430	\$ 34,018
FTE (2) student enrollment	23,794	23,011	22,808	23,406	23,472
Unemployment rate (3)	5.3%	4.8%	5.3%	6.3%	6.8%



(1) District population for fiscal year 2007-08 and District per capita income for fiscal years 2007-08 and 2006-07 are not available at the present time. District population includes all of Washington and Columbia Counties and parts of Multnomah, Clackamas and Yamhill Counties.

(2) FTE represents Full Time Equivalency enrollment. This FTE includes reimbursable and non-reimbursable FTE.

(3) Unemployment rate is for the Portland Metropolitan area.

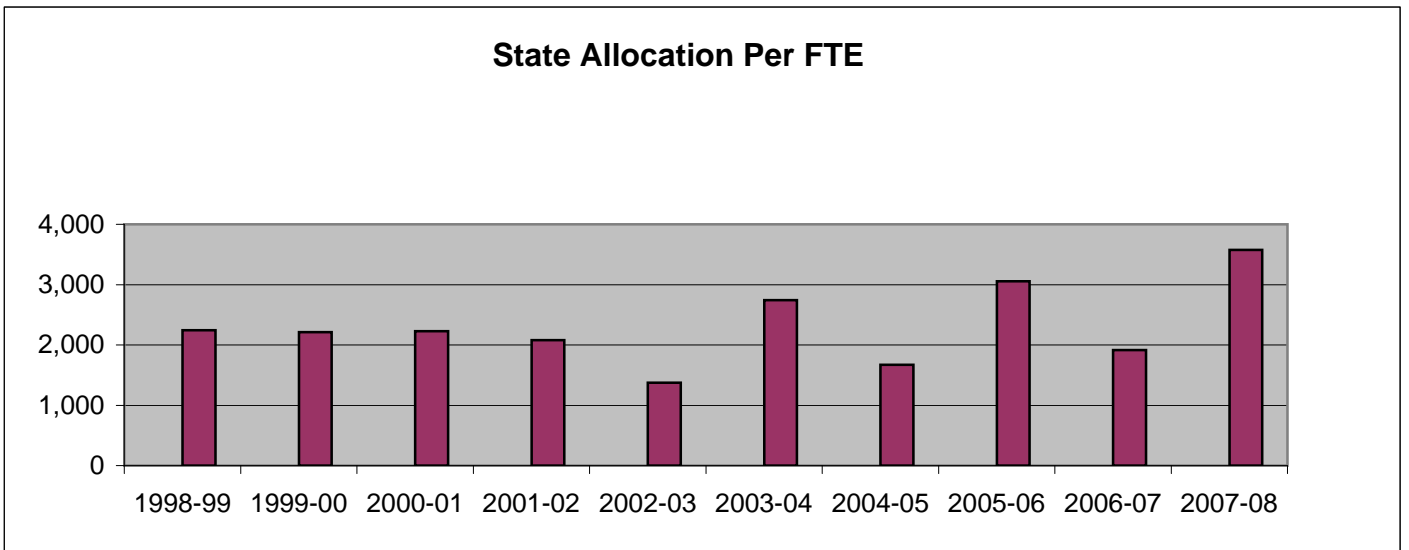
Sources: Portland State University, Population Research Center
Portland Community College, Office of Institutional Effectiveness
Bureau of Economic Analysis, Regional Economic Information System
U.S. Department of Labor - Bureau of Labor Statistics

<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
1,133,010	1,115,787	1,105,390	1,094,625	N/A
\$ 32,629	\$ 32,228	\$ 32,334	\$ 32,117	\$ 27,517
26,061	25,406	22,351	21,365	20,337
8.9%	7.5%	5.2%	4.1%	4.5%

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

STATE ALLOCATIONS PER FTE
LAST TEN FISCAL YEARS

	2007-08	2006-07	2005-06	2004-05
Allocations per FTE	\$ 3,574	\$ 1,917	\$ 3,054	\$ 1,669
Annual State Funding (in thousands)	\$ 81,165	\$ 42,146	\$ 66,695	\$ 37,722
Total Reimbursable FTE	22,713	21,988	21,842	22,596



Note: Total reimbursable FTE does not include total student population.

Source: Office of Institutional Effectiveness

<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
\$ 2,742	\$ 1,373	\$ 2,078	\$ 2,230	\$ 2,214	\$ 2,244
\$ 62,346	\$ 34,994	\$ 51,653	\$ 48,801	\$ 46,306	\$ 44,597
22,737	25,480	24,852	21,887	20,918	19,876

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

ENROLLMENT STATISTICS
LAST SEVEN FISCAL YEARS (3)

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Total operating expenses (in thousands)	\$ 189,832	\$ 179,050	\$ 178,755	\$ 161,431	\$ 157,688
District population (estimated) (2) (in thousands)	N/A	\$ 1,201	1,182	1,164	1,149
Percent of FTE to district population	N/A	1.9%	1.9%	2.0%	2.0%
Cost per FTE (1)	\$ 7,978	\$ 7,781	\$ 7,837	\$ 6,897	\$ 6,718
Number of employees	3,475	3,522	3,812	3,831	3,752
Ratio of employees to FTE	1:7	1:7	1:6	1:6	1:6

(1) Operating costs per full time equivalent student, includes student enrollment in reimbursable and non-reimbursable courses.

(2) District population for fiscal year 2007-08 was not available. District population includes all of Washington and Columbia Counties and parts of Multnomah, Clackamas and Yamhill Counties.

(3) Majority of data for fiscal years 2000-01 through 1998-99 are not available.

Sources: Portland Community College - Office of Institutional Effectiveness
Portland State University, Population Research Center

<u>2002-03</u>	<u>2001-02</u>
\$ 155,327	\$ 152,175
1,133	1,116
2.3%	2.3%
\$ 5,960	\$ 5,990
4,200	4,022
1:6	1:6

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

CAMPUS FACILITIES AND OPERATING INFORMATION
LAST SEVEN FISCAL YEARS (2)

	2007-08	2006-07	2005-06	2004-05	2003-04
Sylvania Campus					
Facilities Information					
Buildings/leases	15	15	14	14	13
Gross square feet	884,559	884,559	857,559	857,559	813,065
Library volumes	117,601	112,255	113,665	112,760	168,639
Operating Information					
Campus expenditures (1)	\$ 35,979	\$ 34,707	\$ 32,394	\$ 32,089	\$ 35,958
Cascade Campus					
Facilities Information					
Buildings/leases	9	9	9	8	7
Gross square feet	347,852	347,852	347,852	293,412	204,750
Library volumes	51,476	49,207	51,750	40,548	98,336
Operating Information					
Campus expenditures (1)	\$ 18,465	\$ 16,590	\$ 15,472	\$ 15,285	\$ 14,564
Rock Creek Campus					
Facilities Information					
Buildings/leases	11	10	10	10	10
Gross square feet	542,723	540,323	540,323	540,323	504,323
Library volumes	50,203	47,819	47,577	51,092	89,555
Operating Information					
Campus expenditures (1)	\$ 22,047	\$ 20,230	\$ 18,345	\$ 18,931	\$ 18,446
Extended Learning Campuses					
Facilities Information					
Buildings/leases	11	9	9	9	10
Gross square feet	241,251	247,631	247,631	247,631	331,946
Library volumes	905	766	164	-	-
Operating Information					
Campus expenditures (1)	\$ 12,967	\$ 12,805	\$ 12,696	\$ 11,620	\$ 11,132

(1) In Thousands

(2) Majority of data for fiscal years 2000-01 through 1998-99 are not available.

Source: PCC Director of Physical Plant and PCC Library Personnel

<u>2002-03</u>	<u>2001-02</u>
----------------	----------------

13	13
813,065	815,055
206,877	123,599
\$ 33,195	\$ 32,023

9	10
199,335	215,574
133,909	61,967
\$ 13,415	\$ 13,265

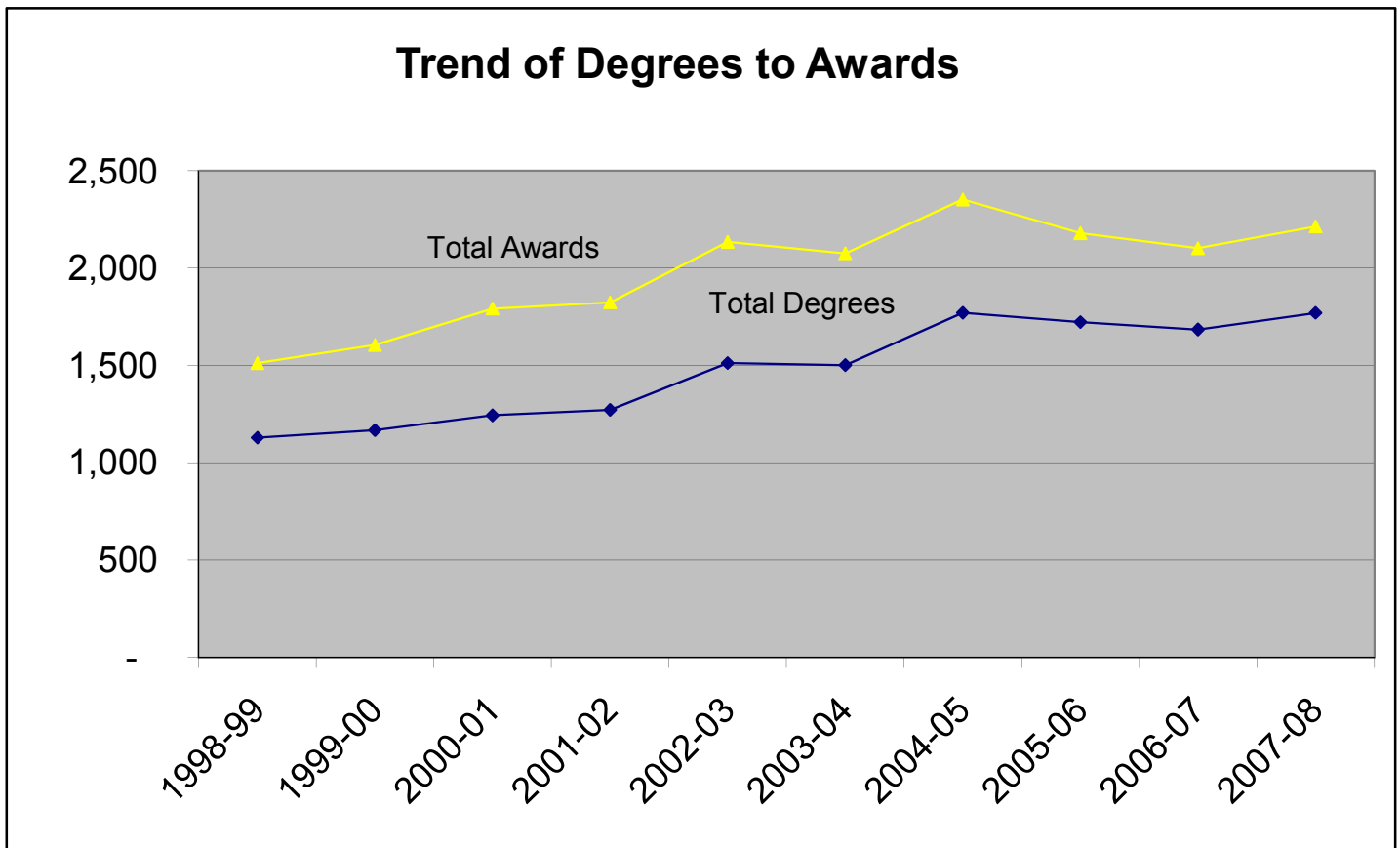
8	8
427,323	427,323
129,499	64,056
\$ 17,013	\$ 15,941

10	10
256,147	247,147
-	-
\$ 12,133	\$ 12,006

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

CERTIFICATES AND DEGREES GRANTED
LAST TEN FISCAL YEARS

	2007-08	2006-07	2005-06	2004-05	2003-04
Certificates					
One-Year	240	211	234	306	364
Two-Year	56	58	59	69	58
Others	61	68	90	93	24
Total Certificates	357	337	383	468	446
Degrees					
Associate of Arts, Oregon Transfer (AAORT)	204	209	218	267	250
Associate of Science, Oregon Transfer (ASORT)	55	22	9	2	1
Associate of Science (AS)	328	329	365	384	324
Associate of General Studies (AGEN)	439	426	400	360	283
Associate of Applied Science (AAS)	744	699	731	758	644
Total Degrees	1,770	1,685	1,723	1,771	1,502
High School Diplomas	87	80	73	114	128
Total Awards	2,214	2,102	2,179	2,353	2,076



<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
334	271	269	207	183
76	54	54	42	59
<u>29</u>	<u>42</u>	<u>41</u>	<u>29</u>	<u>2</u>
<u>439</u>	<u>367</u>	<u>364</u>	<u>278</u>	<u>244</u>
231	211	208	250	211
370	308	305	261	271
209	156	152	128	118
<u>702</u>	<u>597</u>	<u>579</u>	<u>529</u>	<u>529</u>
<u>1,512</u>	<u>1272</u>	<u>1244</u>	<u>1168</u>	<u>1129</u>
<u>184</u>	<u>185</u>	<u>184</u>	<u>159</u>	<u>139</u>
<u><u>2,135</u></u>	<u><u>1,824</u></u>	<u><u>1,792</u></u>	<u><u>1,605</u></u>	<u><u>1,512</u></u>

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

TUITION AND FEES
LAST TEN FISCAL YEARS

Portland Community College

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Per Credit Hour					
General Tuition	\$ 68	\$ 67	\$ 64	\$ 62	\$ 58
Fees	<u>6</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>3</u>
Combined Total	74	73	70	67	61
Annual cost (1)	\$ 3,023	\$ 2,968	\$ 2,846	\$ 2,744	\$ 2,468
Increase					
Dollars	\$ 55	\$ 122	\$ 102	\$ 275	\$ 530
Percent	2%	4%	4%	11%	27%

National and Statewide Comparisons (1)

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
PCC District					
Annual Cost	\$ 3,023	\$ 2,968	\$ 2,846	\$ 2,744	\$ 2,468
Percentage Change	2%	4%	4%	11%	27%
National Community College Average (2)					
Annual Cost	N/A	\$ 2,017	\$ 1,935	\$ 1,849	\$ 1,702
Percentage Change		4%	5%	9%	15%
Oregon Universities Average (3)					
Annual Cost	\$ 5,801	\$ 5,471	\$ 5,219	\$ 5,023	\$ 4,603
Percentage Change	6%	5%	4%	9%	10%

(1) Based on full-time enrollment for the academic year.

(2) U.S. Department of Education, National Center for Education Statistics, Digest of Education Statistics, Student Changes.

(3) Oregon University System, Historical Budget Documents.

Source: District tuition and fees using data from the PCC Catalogs for appropriate years.

The annual tuition is based on 12 credit hour average per student.

An additional 40% in tuition was added to estimate for summer term since those numbers were not available.

N/A - 2007-2008 Annual Costs for 2-year colleges were not available at this time.

<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
\$ 45	\$ 40	\$ 39	\$ 38	\$ 37
3	3	3	2	2
<u>48</u>	<u>43</u>	<u>42</u>	<u>40</u>	<u>39</u>
\$ 1,938	\$ 1,734	\$ 1,693	\$ 1,612	\$ 1,571
\$ 204	\$ 41	\$ 82	\$ 41	\$ 102
12%	2%	5%	3%	7%

<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
\$ 1,938	\$ 1,734	\$ 1,693	\$ 1,612	\$ 1,571
12%	2%	5%	3%	7%
\$ 1,483	\$ 1,380	\$ 1,333	\$ 1,338	\$ 1,327
7%	4%	0%	1%	1%
\$ 4,174	\$ 3,737	\$ 3,508	\$ 3,442	\$ 3,391
12%	7%	2%	2%	1%

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS (in Thousands)

	2007-08	2006-07	2005-06	2004-05	2003-04
Residential Construction (1)					
Permits	9.9	13.9	14.0	13.9	12.0
Value	\$ 1,760,447	\$ 2,494,886	\$ 2,829,975	\$ 2,416,366	\$ 1,998,450
Bank Deposits (2)	N/A	\$ 24,370,598	\$ 22,662,624	\$ 17,781,469	\$ 19,165,465
Property Value Real Market Valuation					
Real Property (2)	N/A	\$ 133,388,975	\$ 113,244,544	\$ 106,837,330	\$ 101,102,305
Personal Property (2) (3)	N/A	3,994,774	3,995,165	4,007,308	4,080,559
Public Utility Property (2) (3)	N/A	2,873,191	2,748,166	2,941,254	2,899,041

(1) For the Portland Metropolitan Area.

(2) For all Clackamas, Columbia, Multnomah, Washington and Yamhill counties.

(3) Real Market Values for 2007-08 by property type for PCC district was not available. Oregon Department of Revenue has not determined at this time whether they will be publishing the 2007-08 time period.

(4) Real market values are used by the assessor to determine Measure 5 limitations. Taxes, however are no longer allocated based upon market value.

Sources: U.S. Census Bureau, Housing Units Authorized by Building Permits
Oregon Department of Consumer Business Services, Division of Finance and Corporate Securities
Oregon Department of Revenue, Research and Statistical Reports, Property Tax Annual Statistics

<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
10.6	10.4	9.9	8.1	8.0
\$ 1,907,744	\$ 1,825,120	\$ 1,526,563	\$ 1,225,650	\$ 753,441
\$ 25,615,695	\$ 24,048,117	\$ 19,987,415	\$ 22,358,897	\$ 22,087,008
\$ 92,693,754	\$ 96,828,844	\$ 89,135,965	\$ 80,969,919	\$ 67,444,417
4,285,747	4,164,681	3,833,805	3,482,577	2,900,835
2,984,439	3,123,511	2,875,354	2,611,933	2,175,626

PORTLAND COMMUNITY COLLEGE
PORTLAND, OREGON

MISCELLANEOUS INFORMATION
June 30, 2008

DATE OF INCORPORATION: July 1, 1969

CENTRAL MAILING ADDRESS:

Portland Community College
P.O. Box 19000
Portland, OR 97280-0990
Telephone: (503) 244-6111

MAIN CAMPUSES AND CENTERS:

Sylvania Campus
12000 S.W. 49th
Portland, OR 97219

Washington County
Workforce Training Center
18624 N.W. Walker Road
Beaverton, OR 97006

Southeast Center
2305 SE 82nd
Portland, OR 97216

Cascade Campus
705 N. Killingsworth
Portland, OR 97217

Central Portland
Workforce Training Center
1626 SE Water Avenue
Portland, OR 97214

Rock Creek Campus
17705 N.W. Springville Road
Portland, OR 97229

Portland Metropolitan
Workforce Training Center
5600 NE 42nd
Portland, OR 97218

CONTRACTED EDUCATION SERVICE DISTRICTS:

Columbia Gorge Community College
400 East Scenic Drive
The Dalles, OR 97058
Telephone: (503) 298-3112

Tillamook Bay Community College
6385 Tillamook Avenue
Bay City, OR 97107
Telephone: (503) 377-2218

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.



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www.tkw.com

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

December 15, 2008

Board of Directors
Portland Community College
Portland, Oregon

We have audited the basic financial statements of Portland Community College (the College) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our reports on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* is contained in the Audit Section of this Comprehensive Annual Financial Report.

ACCOUNTING RECORDS

We found the College's accounting records to be adequate for audit purposes.

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of adequacy of collateral securing depository balances indicated the collateral was sufficient, during the year ended June 30, 2008.

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2008, the College was in compliance with ORS 294 as it pertains to investment of public funds

LEGAL REQUIREMENTS RELATING TO DEBT

The general obligation bonded debt of the College is in compliance with the limitation imposed by ORS 341.675 of 1.5% of real market Value. We noted no defaults in principal, interest, sinking fund or redemption provisions with respect to any of the College's bonded debt, and no breach of the bond agreements, at June 30, 2008.

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

Page 2

BUDGET COMPLIANCE

The College appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the biennium ending June 30, 2009. The Tax Supervising & Conservation Commission (TSCC) has raised concern that the College budgeted and expended bond costs from the Debt Service Fund, which they believe to be prohibited by ORS 287A.140.

A description of the budgeting process is included in Notes to the Financial Statements.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the College's insurance and fidelity bond coverage at June 30, 2008. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering College property at June 30, 2008.

PUBLIC CONTRACTS

The College's procedures for awarding public contracts were reviewed and found to be in accordance with ORS Chapter 279.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

Our reports on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 are contained elsewhere in the Audit Section of this Comprehensive Annual Financial Report.

FINANCIAL REPORTING REQUIREMENTS

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

OTHER

Compliance with the following is not applicable to the College:

- Average daily membership
- Highway funds

This report is intended solely for the information and use of the Board of Directors, management, the Oregon Secretary of State Audits Division, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 
Angelique Whitlow, Partner



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

December 15, 2008

Board of Directors
Portland Community College
Portland, Oregon

We have audited the basic financial statements of Portland Community College (the College) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Page 2

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 08-01, 08-02, 08-03, 08-04, and 08-05 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*. It is described in the accompanying Schedule of Findings and Questioned Costs as item 08-06.

We noted certain matters that we reported to management of the College in a separate letter dated December 15, 2008.

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

Talbot, Korvola & Warwick, LLP

Certified Public Accountants



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

December 15, 2008

Board of Directors
Portland Community College
Portland, Oregon

Compliance

We have audited the compliance of Portland Community College (the College) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 08-07, 08-08, and 08-10.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Page 2

Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 08-07, 08-08, 08-09 and 08-10 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The College's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the College's responses and, accordingly, we express no opinion on them.

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

Talbot, Korvola & Warwick, LLP

Certified Public Accountants

PORTLAND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

FEDERAL AWARDS BY CLUSTERS	Federal CFDA Number	Pass Through Number	Total Expenditures
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ 861,129
Federal Work-Study Program	84.033	N/A	629,321
Federal Pell Grant Program	84.063	N/A	16,882,494
Academic Competitiveness Grants	84.375	N/A	81,345
Nursing Student Loans	93.364	N/A	10,268
Total Student Financial Assistance Cluster			18,464,557
FOOD STAMP CLUSTER			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - Capital	10.561	115191-4	235,830
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - Metro	10.561	115187-5	369,419
Total Food Stamp Cluster			605,249
WIA CLUSTER			
WIA - Adult Program - Hillsboro	17.258	07-70005	1,150,267
WIA - Adult Program - Metro One Stop	17.258	07-70006	333,678
WIA - Adult Program - Worksource North	17.258	07-70007	166,021
WIA - Dislocated Workers - METRO	17.260	07-70356	719,773
WIA - Dislocated Workers - Worksource North	17.260	07-70357	178,517
WIA - Dislocated Workers - Hillsboro	17.260	07-70355	923,604
WIA - Dislocated Workers - Career Pathways	17.260	GRNT-1015	1,048
Total WIA Cluster			3,472,908
TRANSIT SERVICES PROGRAMS CLUSTER			
Job Access-Reverse Commute - Tri-Met	20.516	JC080268DG	38,406
Total Transit Services Programs Cluster			38,406
TRIO CLUSTER			
TRIO - Student Support Services	84.042	N/A	260,026
TRIO - Talent Search	84.044	N/A	184,420
TRIO - Upward Bound	84.047	N/A	218,636
Total TRIO Cluster			663,082
SUBTOTAL CLUSTER PROGRAMS			23,244,202
NON-CLUSTER PROGRAMS			10,590,845
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 33,835,047

See notes to schedule of expenditures of federal awards.

PORTLAND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

FEDERAL AWARDS BY FEDERAL AGENCY	Federal CFDA Number	Pass Through Number	Total Expenditures
U.S. DEPARTMENT OF EDUCATION:			
Direct Programs:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ 861,129
Federal Work-Study Program	84.033	N/A	629,321
Federal Pell Grant Program	84.063	N/A	16,882,494
Leveraging Educational Assistance Partnership	84.069	N/A	108,485
Academic Competitiveness Grants	84.375	N/A	81,345
Higher Education Institutional Aid - PORTALS	84.031	N/A	328,681
TRIO - Student Support Services	84.042	N/A	260,026
TRIO - Talent Search	84.044	N/A	184,420
TRIO - Upward Bound	84.047	N/A	218,636
Migrant Education - College Assistance Migrant Program	84.149	N/A	297,439
Business and International Education Projects - Going Global	84.153A	N/A	55,457
Bilingual Education - Professional Development - REAP/PPOP	84.195N	N/A	303,404
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities - HQSPED	84.325K	N/A	260,616
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	8,972
Child Care Means Parents in School - CCAMPIS	84.335A	N/A	127,412
Total Direct Programs			20,607,837
Passed through Dept. of Community Colleges and Workforce Development:			
Adult Education - Basic Grants to States - Program Improvement	84.002	EE7817PG	13,608
Adult Education - Basic Grants to States - Multnomah Co Corrections	84.002	EE7817CG	25,389
Adult Education - Basic Grants to States - TOPS Accountability	84.002	EE7817AG	57,401
Adult Education - Basic Grants to States - Outreach Tutoring	84.002	EE7817TG	63,492
Adult Education - Basic Grants to States - Comprehensive Services	84.002	EE7817BG	563,230
Adult Education - Basic Grants to States - EI Civics	84.002	EE7817EG	42,241
Adult Education - Basic Grants to States - Enhancing PCC ABE & GED	84.002	GRNT0065	1,000
Total passed through Dept. of Community Colleges and Workforce Development			766,361
Passed through State of Oregon, Department of Education:			
Career and Technical Education - Basic Grants to States - PAVTEC	84.048	10907	98,934
Career and Technical Education - Basic Grants to States - PAVTEC	84.048A	9851	9,000
Career and Technical Education - Basic Grants to States - PAVTEC	84.048A	9599	59,537
Career and Technical Education - Basic Grants to States - Perkins	84.048A	12346	1,544,574
Career and Technical Education - Basic Grants to States - Oregon Tradeswomen	84.048A	9850	22,000
Even Start - State Educational Agencies - Family Literacy	84.213	11273	177,722
Tech-Prep Education	84.243A	9560	206,343
Total passed through State of Oregon, Department of Education			2,118,110
TOTAL U.S. DEPARTMENT OF EDUCATION			23,492,308
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through State of Oregon, Department of Education:			
Child and Adult Care Food Program	10.558	26-16022	3,999
Passed through State of Oregon, Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - Capital	10.561	115191-4	235,830
Passed through Mt. Hood Community College:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - Metro	10.561	115187-5	369,419
TOTAL U.S. DEPARTMENT OF AGRICULTURE			609,248

Continued on page 107

See notes to schedule of expenditures of federal awards.

PORTLAND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

FEDERAL AWARDS BY FEDERAL AGENCY	Federal CFDA Number	Pass Through Number	Total Expenditures
U.S. DEPARTMENT OF TRANSPORTATION:			
Passed through State of Oregon:			
Job Access-Reverse Commute - Tri-Met	20.516	JC080268DG	\$ 38,406
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			38,406
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Programs:			
Nursing Student Loans	93.364	N/A	10,268
Head Start	93.600	N/A	179,253
Total Direct Programs			189,521
Passed through State of Oregon, Department of Human Services:			
Temporary Assistance for Needy Families - STEPS to Success - Capital	93.558	N/A	1,985,345
Passed through Mt. Hood Community College:			
Temporary Assistance for Needy Families - STEPS to Success - Metro	93.558	JOBS 01-01	3,401,888
Passed through Oregon Health Sciences University:			
Ryan White HIV/AIDS Dental Reimbursements/ Community Based Dental Partnership	93.924	GPBHD0010AB	3,657
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			5,580,411
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Direct Program:			
Community Outreach Partnership Center Program	14.511	N/A	46,895
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			46,895
U.S. DEPARTMENT OF LABOR:			
Passed through Worksystems, Inc:			
WIA - Adult Program - Hillsboro	17.258	07-70005	1,150,267
WIA - Adult Program - Metro One Stop	17.258	07-70006	333,678
WIA - Adult Program - Worksource North	17.258	07-70007	166,021
			1,649,966
WIA - Dislocated Workers - METRO	17.260	07-70356	719,773
WIA - Dislocated Workers - Worksource North	17.260	07-70357	178,517
WIA - Dislocated Workers - Hillsboro	17.260	07-70355	923,604
			1,821,894
H-IB Job Training Grants - WIRED	17.268	07-75102	186,893
Total passed through Worksystems, Inc			3,658,753

Continued on page 108

See notes to schedule of expenditures of federal awards.

PORTLAND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

FEDERAL AWARDS BY FEDERAL AGENCY	Federal CFDA Number	Pass Through Number	Total Expenditures
Passed through Community Colleges and Workforce Development:			
Incentive Grants - WIA Section 503 - Incentive Grant	17.267	IGA06369	\$ 29,499
Incentive Grants - WIA Section 503 - Incentive Grant IV	17.267	IGA0083	59,692
Total passed through Community Colleges and Workforce Development			89,191
Passed through Southern Oregon Community College:			
WIA Dislocated Workers - Career Pathways	17.260	GRNT-1015	1,048
Passed through Chemeketa Community College:			
WIA Pilots, Demonstrations, and Research Projects - OHWP	17.261	538-06	38,594
			38,594
TOTAL U.S. DEPARTMENT OF LABOR			3,787,586
NATIONAL SCIENCE FOUNDATION:			
Direct Programs:			
Education and Human Resources - Framing Student Success	47.076	N/A	67,315
Education and Human Resources - CSEMS	47.076	N/A	103,215
			170,530
Passed through Chemeketa Community College:			
Education and Human Resources - Planning for ATE	47.076	N/A	1,200
Passed through Saddleback Community College:			
Education and Human Resources - Rapid Prototype	47.076	Y1090107PCC	23,843
TOTAL NATIONAL SCIENCE FOUNDATION			195,573
SMALL BUSINESS ADMINISTRATION:			
Passed through Lane Community College:			
Small Business Development Centers - SBDC	59.037	7-603001-0039-24	78,991
TOTAL SMALL BUSINESS ADMINISTRATION			78,991
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
Passed through Oregon Campus Compact:			
Learn and Serve America - Higher Education - Broadening Horizons	94.005	AACC-SL-2006-10	5,629
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			5,629
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 33,835,047

See notes to schedule of expenditures of federal awards.

PORTLAND COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Portland Community College and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Matching costs, the nonfederal share of certain program costs, are not included in the Schedule. The Schedule appears in two formats: Federal Awards by program clusters, and Federal Awards by federal agency.

Note B - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note A.

Note C - LOANS RECEIVABLE

Portland Community College had the following loan balances outstanding at June 30, 2008.

	Federal CFDA Number	Loans Receivable
Gross loans receivable at June 30, 2008:		
Federal Perkins Loan Program	84.038	\$ 7,934,801
Nursing Student Loans	93.364	1,079,579
		<u>\$ 9,014,380</u>

Note D - LOANS DISBURSED

Total disbursements for student loans through individual lending institutions or the College which are guaranteed in the event of default are listed below.

	Federal CFDA Number	New Loans
Federal Family Education Loans:		
Federal Stafford Loans	84.032	\$ 39,701,106
Federal PLUS Loans	84.032	888,558
Federal Perkins Loan Program	84.038	858,443
Nursing Student Loans	93.364	245,221
		<u>\$ 41,693,328</u>

Note E - INSTITUTIONAL CAPITAL CONTRIBUTIONS

Required matching institutional capital contributions not included in expenditures is as follows:

<u>Program Title</u>	Federal CFDA Number	Amount
Federal Supplemental Educational Opportunity Grants	84.007	\$ 265,453
Federal Work-Study Program	84.033	200,312
Nursing Student Loans	93.364	8,396
		<u>\$ 474,161</u>

Note F - LEVERAGING EDUCATION ASSISTANCE PARTNERSHIP PROGRAM

Total expenditures for Leveraging Educational Assistance Partnership, CFDA Number 84.069:

	Amount
Federal contributions	\$ 108,485
State contributions	3,503,060
	<u>\$ 3,611,545</u>

PORTLAND COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2008

Note G - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Portland Community College provided federal awards to subrecipients as follows:

<u>Description</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Education and Human Resources - Framing Student Success	47.076	\$ 25,397
Temporary Assistance for Needy Families - STEPS to Success - Capital	93.558	367,935
Temporary Assistance for Needy Families - STEPS to Success - Metro	93.558	37,211
		<u>\$ 430,543</u>

PORTLAND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weakness(es)	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	None reported
Significant deficiency(ies) identified not considered to be material weakness(es)	Yes
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of <i>Circular A-133</i>	Yes
Identification of major programs:	
CFDA No. 10.561	Food Stamps Cluster
CFDA Nos. 84.007; 84.032; 84.033; 84.038; 84.063; 84.375; 93.364;	Student Financial Aid Cluster
CFDA No. 84.031A	Higher Educational Institutional Act
CFDA No. 84.149	College Assisted Migrant Education Program
Dollar threshold used to distinguish between type A and B programs	\$1,022,377
Auditee qualified as low-risk auditee?	No

PORTLAND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 08-01

Criteria: The College has a large investment in capital assets. The College uses a capital asset database for monitoring assets and an Excel spreadsheet to support the balances used for financial reporting. The reconciliation of these records to the amounts recorded in the financial accounting system is complex.

Condition: We noted several errors in the spreadsheet such as depreciation being charged on fully depreciated items, and gains and losses calculated incorrectly.

Context: Capital assets are a significant and material amount to the financial statements.

Effect: The reconciliation of capital outlay to additions contained errors. The capital asset records for certain funds did not agree to the amounts recorded in the financial reporting system.

Cause: The records are not reconciled on a regular basis. College management does not conduct a thorough review of the reconciliation. The College's system for tracking capital assets is inadequate for the size and complexity of the organization.

Recommendation: We recommend that College management implement an integrated capital asset management system. In the meantime, the reconciliation between the spreadsheet and the accounting records should be performed at least quarterly and should be carefully reviewed by management.

Finding 08-02

Criteria: In accordance with accounting principles generally accepted in the United States of America, transactions involving the issuance and defeasance of debt should be reported as other financing sources and uses in the fund schedules and changes resulting from defeasance should be accurately reported in the Statements of Net Assets and the Statements of Cash Flows.

Condition: The financial statements presented for audit failed to properly account for these transactions in the fund schedules and in the Statements of Net Assets and Statements of Cash Flows. Long-term debt was overstated on the Statement of Net Assets as the defeasance was not properly reported. The Cash Flow Statement presented for audit failed to identify the non-cash financing activities associated with these transactions.

Context: These transactions are complex and not routine. Errors in the fund schedules carry forward to entity-wide statements and notes.

Effect: The financial statements were materially misstated.

Cause: The report was not thoroughly reviewed by management prior to commencement of the audit in order to detect and correct misstatements made in the preparation of the financial statements.

Recommendation: We recommend additional training in financial reporting and that College management should require a thorough review of their financial statements before commencement of the audit.

PORTLAND COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 08-03

Criteria: The financial statements should accurately reflect the underlying transactions.

Condition: There were several errors where the balances in the fund schedules did not agree to the underlying accounting records. There were errors in reporting opening fund balance and transfers between funds.

Context: Errors in the trial balance and fund schedules translate to errors in preparing the basic financial statements and related disclosures in the notes.

Effect: The financial statements presented for audit were misstated. The errors in the fund schedules carried forward to the basic financial statements resulting in misstatements that were or could have been material.

Cause: The trial balances were not compared to the financial statements by a reviewer in order to detect errors in preparing the financial statements.

Recommendation: We recommend additional training in financial reporting and that College management should require a thorough review of their financial statements before commencement of the audit.

Finding 08-04

Criteria: The financial statements should be prepared in accordance with accounting principles generally accepted in the United States of America.

Condition: Capital asset transactions were incorrectly reported in the basic financial statements.

Context: The College has previously had difficulty with reporting these types of transactions.

Effect: The financial statements presented for audit contained material errors in the Statement of Revenues, Expenses and Changes in Net Assets and in the Statement of Cash Flows.

Cause: The College does not appear to understand the correct reporting of these transactions. The reporting was not thoroughly reviewed by management.

Recommendation: We recommend additional training in financial reporting and that College management should require a thorough review of their financial statements before the commencement of the audit.

Finding 08-05

Criteria: The Schedule of Expenditures of Federal Awards and notes thereon should be prepared in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133.

Condition: Relevant clusters were not identified on the Schedule of Expenditures of Federal Awards as required, and the Notes to the Schedule of Expenditures of Federal Awards did not present all of the appropriate information.

PORTLAND COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 08-05 (Continued)

Context: Clusters are required to be identified on the Schedule of Expenditures of Federal Awards in accordance with Subpart C § .310 (b)(1), (4) and (6) of OMB Circular A-133. Note disclosures relevant to Student Financial Aid programs are required for information not presented on the face of the Schedule.

Effect: The Schedule of Expenditures of Federal Awards did not contain required elements, or the appropriate disclosures.

Cause: The College was unaware that identification of the clusters in the Schedule of Expenditures of Federal Awards was necessary. The College was unaware of the appropriate note disclosures relating to its Financial Aid programs and institutional capital contributions. The reporting was not thoroughly reviewed by management.

Recommendation: We recommend additional training in financial reporting and that College management should require a thorough review of their Schedule of Expenditures of Federal Awards before the commencement of the audit.

Finding 08-06

Criteria: In accordance with the letter of arrangement, the College is not permitted to include the Independent Auditor's Report on the financial statements in the General Obligation Refunding Bonds, Series 2008 official statement without consent of the independent audit firm.

Condition: The College included only excerpts of their Comprehensive Annual Financial Report for the year ended June 30, 2007 together with the opinion covering portions of the Comprehensive Annual Financial Report not presented in the official statement. They did not seek consent of the independent audit firm as required by the terms of the letter of arrangement.

Context: The College has violated this provision in prior years, despite signed letters of arrangement.

Effect: The opinion included in the official statement is inconsistent with the financial information presented. Reliance on that opinion in relation to the financial information presented in the official statement would be inappropriate and may be construed as misleading. The College has misrepresented the implied involvement of their independent audit firm.

Cause: College management did not allow the independent audit firm to review the preliminary or final official statement as required by the terms of the letter of arrangement. Furthermore, the College did not give the firm the opportunity to provide a proper opinion over the financial information included in the official statement.

Recommendation: We recommend that the College work with their bond counsel and financial advisors to include the independent audit firm in the distribution list when considering any debt obligations, and refrain from including the Independent Auditor's Report in any documents other than the financial statements on which the report was issued without prior consent from the independent audit firm.

PORTLAND COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 08-07

Federal Programs: Financial Aid Cluster

Federal Agency: Department of Education

Award Year: 2007-08

Criteria: For students entering repayment status, contact with the borrower should be made a minimum of three times during the grace period which begins when the student ceases to be a full-time student.

Condition: Certain students were not sent the required notices by the third-party administrator.

Context: Two of twenty-three students tested were not sent the required notices by the third-party administrator.

Questioned Costs: No questioned costs related to this compliance finding.

Effect: Students may not be aware that they have entered into repayment status.

Cause of Condition: The date the student ceases to be a full-time student is not readily determinable if the student leaves mid-term without notice, given current systems in place.

Recommendation: We recommend that College management coordinate the attendance system with the Financial Aid Department to better identify when students ceased to maintain full-time status.

Corrective action plan: Department of Education regulations require that Perkins Loan and Nursing Loan borrowers receive three grace notices during the nine month grace period. The auditors are correct in that two of twenty three selected borrowers did not receive their initial grace notice from the loan servicer. This was the result of late exits by the two borrowers. The College was not notified by the borrowers of their intention not to return. As a result, the exits were delayed and not reported to third party administrator until after their initial notice should have been mailed.

Exits are currently processed manually and there is no feasible way for the College to identify each borrower who separates from the College with no intention to return. In response to the finding, the College will attempt to automate the exit process. This would involve providing the third party administrator with a copy of the College's enrollment file that is sent to the National Student Clearinghouse by the registrar's office. Upon notice of a complete withdrawal, the third party administrator would prepare an electronic exit form for the borrower's completion.

PORTLAND COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 08-08

Federal Programs: CFDA 84.149 College Assisted Migrant Education Program

Federal Agency: Department of Education

Award Year: 2007-08

Criteria: The College is required to monitor the amount spent on follow up services. Such services are not to exceed 10% of the grant.

Condition: Grantee is not monitoring the amount being spent on follow up services provided to current and previous clients.

Questioned Costs: Monetary value of question costs could not be determined.

Context: The College has four students who are receiving follow up services.

Effect: Potential for charging unallowable costs to the grant.

Cause of Condition: The program does not currently have a system to track the time spent on monitoring students subject to follow up services.

Recommendation: We recommend the program develop a system to track the time spent on monitoring students so as to ensure compliance with the grant requirements.

Corrective action plan: Program managers developed and have already implemented a more formal system to track contact time spent monitoring students to comply with this requirement.

Finding 08-09

Federal Programs: CFDA 84.149 College Assisted Migrant Education Program

Federal Agency: Department of Education

Award Year: 2007-08

Criteria: Student files are required to contain Applicant Tracking Forms as well as supporting documentation for eligibility guidelines established by the U.S. Department of Education.

Condition: One student out of a sample of sixteen did not have the correct supporting documentation to establish eligibility. The document was subsequently provided. One Applicant Tracking Form was not signed by the Program Director as required by the College.

Questioned Costs: No questioned costs as all students selected were eligible to receive services.

Effect: Ineligible students may receive services.

PORTLAND COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 08-09 (Continued)

Cause of Condition: The department responsible for compliance with this matter was not fully staffed for a period of time.

Recommendation: We recommend that all supporting documentation be included in the student's file before the Program Director approves the student as eligible for services.

Corrective action plan: Through an enrollment error, the student was assigned an ID already in use resulting in misfiling of the document. Program managers have modified procedures to review files for completeness. Contract & Grants staff have scheduled a review to ensure policies and practices are appropriate to ensure compliance with grant requirements.

Finding 08-10

Federal Programs: Food Stamps Cluster

Federal Agency: U.S. Department of Agriculture

Award Year: 2007-08

Criteria: The College is required by the Oregon Department of Human Services to track and report the number of job placements monthly on the billing invoice.

Condition: The College did not report job placements as required from October 2007 to March 2008.

Context: The Contracts and Grants department was not aware that the program managers were not in compliance.

Questioned Costs: No questioned costs related to this compliance finding.

Effect: Failure to comply with contract terms.

Cause of Condition: Program managers appeared to be unaware of compliance requirements, and as a result were not tracking the number of job placements on the billing invoice. The grant accountant did not become aware of this until April 2008, at which point they began to track and report in accordance with the terms of the award.

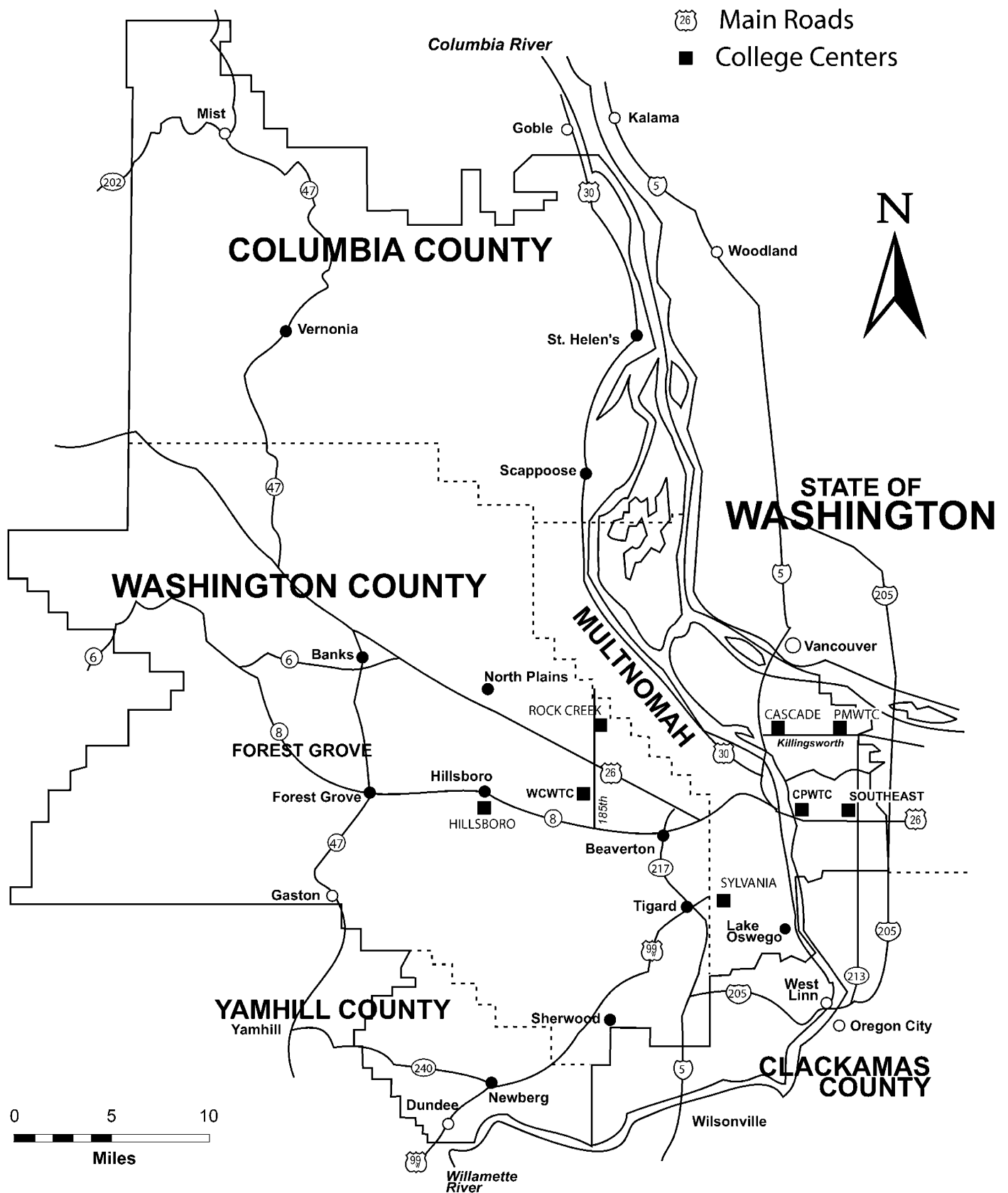
Recommendation: The College should read all grant award contracts carefully to ensure that the special tests for new contracts are understood by the personnel responsible for compliance.

Corrective action plan: We agree. This change was due to a new provision contained in a contract addendum. This coincided with a new accountant being assigned to the grant. Management has emphasized to staff the requirement to carefully read and review new contracts as well as contract amendments and other revisions.

PORTLAND COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008

<u>Finding 07-01</u>	Capital asset footnote incorrect. Expenses overstated as a result of improper characterization of expenditures.
Auditor Recommendation:	We recommend that capital assets records and reporting be reviewed by someone other than the preparer. We recommend that the College use a capital asset software program designed for its size and complexity.
Corrective Action Previously reported:	We agree with this recommendation. The size of the College and volume of capital assets are complex to track. Staff cross-training will occur this fiscal year to provide for additional review of capital assets records and reporting. We intend to more fully integrate the areas of the College responsible for capital assets decisions and tracking. Changes have already been completed to the capital assets database software to enhance tracking and reporting, but were not finished in time for use in preparing fiscal year end data. New property surplus software has also been purchased and will be implemented this fiscal year to more accurately track property disposals.
Update:	Both the capital assets database changes and the property surplus property have been implemented and used in the current year. Progress has been made to more fully integrate capital assets decisions and tracking. Staff cross-training was not completed as scheduled due to unexpected staff turnover late in the fiscal year. New staff cross-training is scheduled to occur this year.
<u>Finding 07-02</u>	The College recorded a liability for retirement benefits with no supporting documentation.
Auditor Recommendation:	We recommend that the basic financial statements and supporting documentation be reviewed by someone other than the preparer.
Corrective Action Previously Reported:	We agree with this recommendation. After discussion with audit staff, the liability for retirement benefits was adjusted at year end. The College internally monitors external PERS rates in conjunction with debt service requirements of our PERS Bonded debt service compared to our internal charges to College departments. Because of changing rates, a difference between the internal and external rates exists. We will continue to monitor and evaluate the excess in order to maintain a reserve in a way that is most beneficial for the College. We are cross-training staff on this issue to provide for a more thorough review and are already monitoring both the PERS rates and liability balances on a more frequent basis.
Update:	Cross-training in this area was completed. An evaluation of the effect of changes in internal and external rates is performed monthly and adjustments made when warranted.





PORTLAND COMMUNITY COLLEGE DISTRICT