COLUMBIA GORGE COMMUNITY COLLEGE

The Dalles, Oregon

Annual Financial Report

Year Ended June 30, 2016

COLUMBIA GORGE COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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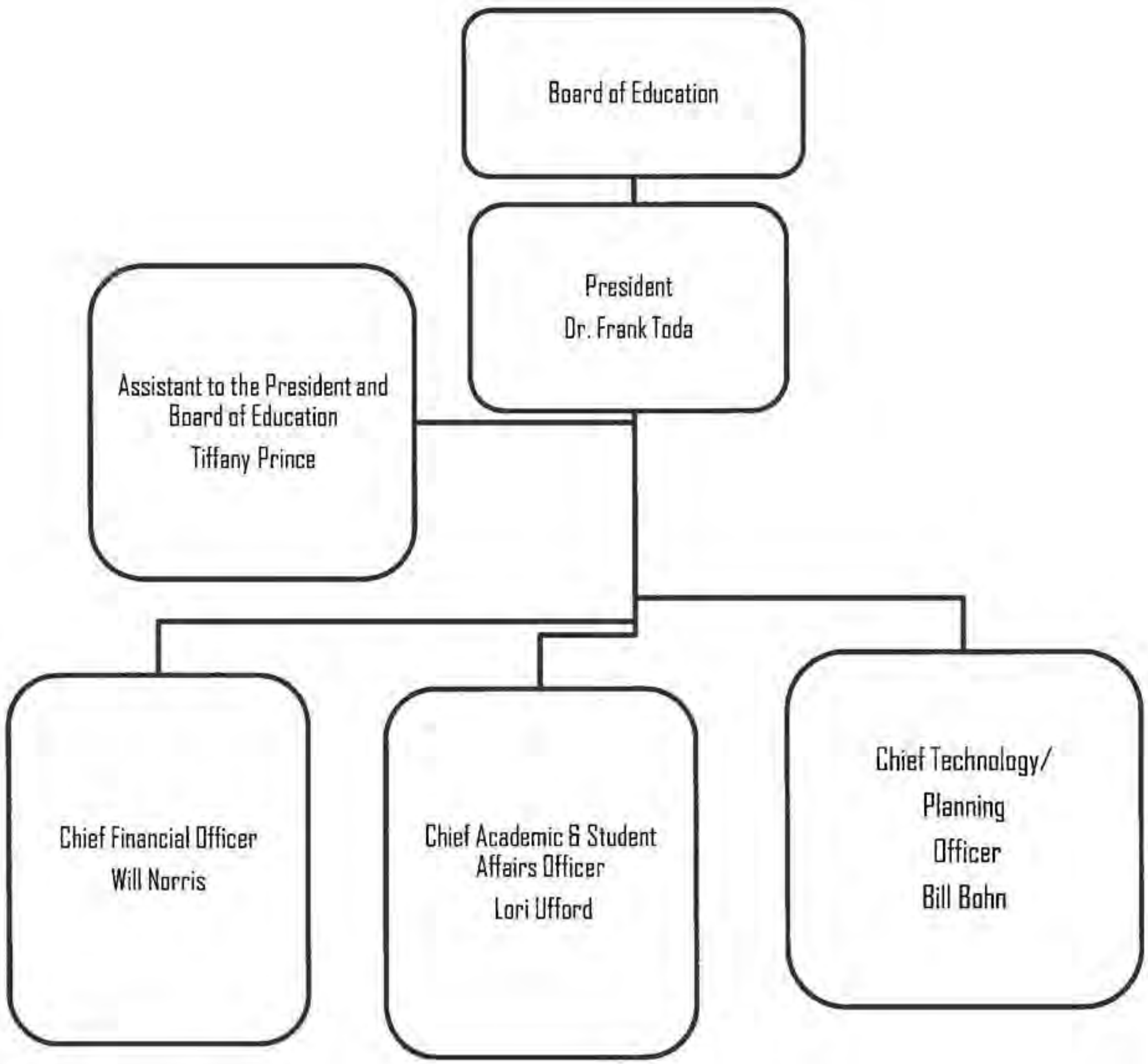
Board of Education and Administrative Staff
Principal Officials
Columbia Gorge Community College
June 30, 2016

Position #	Name	County	Term Ending
1	M.D. Van Valkenburgh Board Member	Wasco	June 30, 2017
2	Dr. James R. Willcox Board Member	Wasco	June 30, 2017
3	Lee Fairchild Board Member	Hood River	June 30, 2019
4	Charlotte Arnold Board Chair	Hood River	June 30, 2019
5	Dr. Ernie Keller Board Member	Wasco	June 30, 2017
6	Stuart Watson Board Member	Hood River	June 30, 2019
7	Charleen Cobb Board Member	Wasco	June 30, 2017

ADMINISTRATION

Dr. Frank K. Toda, President
Tiffany Prince, Assistant to the President and Board of Education
Bill Bohn, Chief Technology/Planning Officer
Lisa Deswert, Controller
William Norris, Chief Financial Officer
Lori Ufford, Chief Academic & Student Affairs Officer

Organization Chart
Columbia Gorge Community College
June 30, 2016



FINANCIAL SECTION

Talbot, Korvola
& Warwick, LLP
Certified Public Accountants
& Consultants

ACHIEVE MORE

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Lake Oswego, Oregon 97035-4293

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Columbia Gorge Community College
The Dalles, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Columbia Gorge Community College (the College), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Board of Education
Columbia Gorge Community College

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, such as Management's Discussion and Analysis, Schedule of Funding Progress, Schedule of Pension Plan Contributions, and Schedule of the Proportionate Share of the Net Pension Liability (Asset), as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. As listed in the Table of Contents, the Supplementary Information and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Education
Columbia Gorge Community College

OTHER MATTERS (Continued)

Other Information (Continued)

The Introductory Section, as listed in the Table of Contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

REPORTING ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016 on our consideration of the College's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Other Reporting Required by *Oregon Minimum Standards*

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 21, 2016, on our consideration of the College's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP

By Angelique Whitlow
Angelique Whitlow, Partner

Lake Oswego, Oregon
December 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Columbia Gorge Community College's (the College) annual financial report presents a comparative analysis of the financial activities of the College for the fiscal years ended June 30, 2016 and 2015.

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 (U.S. 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.

U.S. 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).

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the College's basic financial statements, which is comprised of entity-wide financial statements prepared in accordance with the accrual basis of accounting and notes to the basic financial statements. This report also includes required and other supplementary information in addition to the basic financial statements.

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 the statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows which are described and analyzed in the following sections. The notes to the basic financial statements are required to complete the basic financial statements, and are an integral component thereof.

The College has presented its basic financial statements in accordance with Statement Nos. 34 and 35 of the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34 stipulates using an economic resources measurement focus and the accrual basis of accounting. All capital assets and related accumulated depreciation are to be reported in the statement of net position. All outstanding debt will reduce net position. Depreciation will be recognized in the statement of revenues, expenses and changes in net position. All revenues will be recognized in the year in which they are earned. Likewise, expenses will be reported in the year the liability is incurred regardless of when the amount is actually paid. Interest on debt will be accrued at June 30 and recorded as an expense in the statement of revenues, expenses and changes in net position.

GASB Statement No. 35 applies to public colleges and universities. It stipulates the display and disclosure requirements of the basic financial statements. The financial information is to be presented for the College as a whole, rather than a series of fund types. The display and disclosure requirements are similar to that used by commercial organizations.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (Continued)

The basic financial statements are comprised of:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to Basic Financial Statements

A statement of net position presents information on all of the College's assets (what it owns) and liabilities (what it owes). The difference between total assets and deferred outflows of resources less total liabilities and deferred inflows of resources is reported as net position. Over time, changes in net position are an indicator of improving or eroding financial health. Non-financial indicators, such as enrollment levels and the condition of the College's facilities must also be considered when evaluating the College's financial position.

The statement of revenues, expenses and changes in net position presents the revenues earned and expenses incurred during the year. As prescribed by GASB, revenues and expenses are reported as operating or nonoperating. Operating revenues and expenses generally result from providing services to students. All other revenues and expenses not meeting this definition are reported as nonoperating. Revenues are presented by source. Expenses are presented by function. GASB stipulates that State support and property taxes are reported as nonoperating revenues. This results in the display of a significant operating loss.

A statement of cash flows is intended to help evaluate the College's ability to meet its financial obligations as they become due. Cash inflows and outflows are identified as operating, noncapital financing, capital and related financing, and investing activities. The nature of operating activities was described in the previous paragraph. Capital and related financing activities are those items that are clearly attributable to the acquisition, construction or improvement of capital assets. This includes the repayment of debt associated with these assets.

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL HIGHLIGHTS

Financial highlights for the College for fiscal year ending June 30, 2016 are described below.

- The College's financial position, as a whole, improved in some measures and declined in other measures during the fiscal year ended June 30, 2016.
- The College's financial position at June 30, 2016 consists of assets of $35,280,396, deferred outflows of resources of $1,630,033, liabilities of $23,216,279, deferred inflows of resources of $781,742 and net position of $12,912,307, a decrease of $1,643,490, 11.3% from the prior year.
- Total assets decreased in 2016 by $1,013,282 to $35,280,396 primarily due to current spending activity.
- Total liabilities increased in 2016 by $2,053,613 to $23,216,279 primarily due to principal payments on bonds payable and unearned revenue.

FINANCIAL HIGHLIGHTS (Continued)

- Unrestricted net position decreased by $1,235,000 to $5,165,706 which is primarily due to GASB adjusting entries.
- Within net position, the investment in capital assets less any related outstanding debt used to acquire those assets increased by $46,280 to $16,358,189 in 2016. The College uses these 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.

CONDENSED FINANCIAL INFORMATION AND ANALYSIS

Net position at June 30, 2016 and 2015:

	2016	2015	Increase/ (Decrease)	Change %
Current assets:				
Cash and cash equivalents	$ 1,736,501	$ 1,153,877	$ 582,624	50.5 %
Investments	2,312,015	2,415,577	(103,562)	(4.3)
Other assets	1,572,284	1,286,564	285,720	22.2
Total current assets	5,620,800	4,856,018	764,782	15.7
Noncurrent assets:				
Net pension asset	-	1,102,990	(1,102,990)	(100.0)
Capital assets, net	29,659,596	30,334,670	(675,074)	(2.2)
Total noncurrent assets	29,659,596	31,437,660	(1,778,064)	(5.7)
Total assets	35,280,396	36,293,678	(1,013,282)	(2.8)
Deferred outflows of resources:				
Deferred charge on refunding	915,941	1,010,945	(95,004)	(9.4)
Pension	714,092	542,164	171,928	31.7
	1,630,033	1,553,109	76,924	5.0
Liabilities:				
Current liabilities	2,411,771	1,956,657	455,114	23.3
Noncurrent liabilities	20,804,508	19,206,009	1,598,499	8.3
Total liabilities	23,216,279	21,162,666	2,053,613	9.7
Deferred inflows of resources-pension	781,842	2,128,324	(1,346,482)	(63.3)
Net positon:				
Net investment in capital assets	16,358,189	16,311,909	46,280	0.3
Restricted for:				
Debt service	1,440,079	1,528,807	(88,728)	(5.8)
Capital projects	279,745	645,787	(366,042)	(56.7)
Unrestricted	(5,165,706)	(3,930,706)	(1,235,000)	31.4
Total net position	$ 12,912,307	$ 14,555,797	$ (1,643,490)	(11.3)

CONDENSED FINANCIAL INFORMATION AND ANALYSIS

Current Assets

Current assets of $5,620,800 were more than sufficient to cover current liabilities of $2,411,771. This represents a current ratio of 2.3 as compared to 2.5 in the prior year. Cash and cash equivalents increased by $582,624 to $1,736,501 as compared to $1,153,877 in the prior year due to cash of $8,903,480 provided by noncapital financing activities, offset in part by operating and investing cash flows.

Noncurrent Assets

The College's capital assets decreased by $675,074 to $29,659,596 due primarily to annual depreciation charges exceeding additions for the year. Detailed changes to capital assets are shown in Note 5 of the Notes to Basic Financial Statements.

Deferred Outflows of Resources

The decrease in the deferred charge for refunding is due to the amortization over the remaining life of the debt instrument. The deferred charge on refunding decreased by $95,004 to $915,941 from 2015. The deferred outflows-pension increased by 31.7% or $171,928 to $714,092 in 2016.

Current Liabilities

The College's current liabilities consist primarily of various payables for operations, accrued payroll, taxes and compensated absences, unearned revenue and the current portion of bonds payable. Current liabilities increased by $455,114 to $2,411,771. Unearned revenue from tuition and fees increased by $289,650 to $531,283 because of summer and fall enrollment opened in May.

Noncurrent Liabilities

Noncurrent liabilities consist of bonds payable less the current portions of specific obligations. Noncurrent liabilities increased by $1,598,499 to $20,804,508 due primarily an increase in the net pension liability of $3,150,408 from the net pension asset of $1,102,990 due to the Moro decision.

The College's capital investment in real property, construction and improvements for The Dalles and Hood River campuses are funded by one general obligation bond. Additional information on the College's bonds payable may be found in Note 7 of the Notes to Basic Financial Statements.

Deferred inflows of resources has decreased by $1,346,482 from $2,128,324 to $781,842. Primarily due to the net pension liability.

Net Position

Total net position decreased by $1,643,490 to $12,912,307 a decrease of 11.3% from the prior year. Within net position, the net investment in capital assets is $16,358,189, an increase of $46,280 as compared to the prior year primarily due to principal payments on bonds payable exceeding annual depreciation charges. Restricted net position decreased by $454,770 to $1,719,824. Unrestricted deficit net position increased by $1,235,000 to $(5,165,706).

CONDENSED FINANCIAL INFORMATION AND ANALYSIS (Continued)

Revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015:

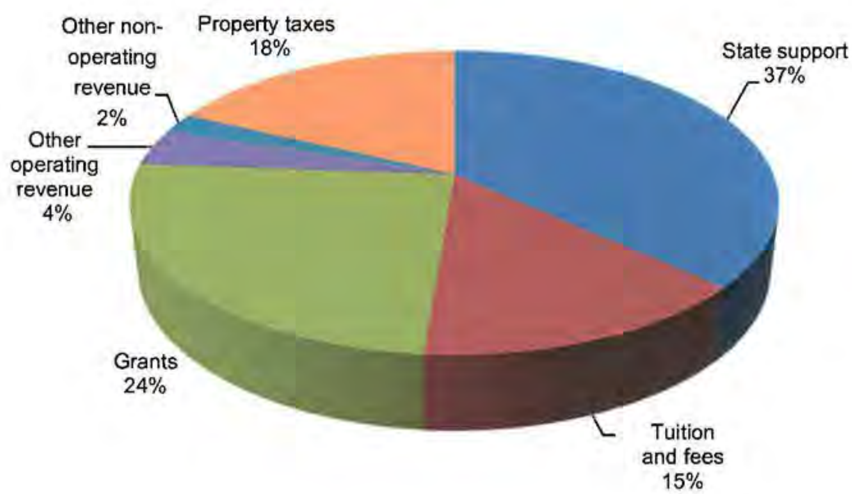
	2016	2015	Increase/ (Decrease)	Change %
Operating revenues:				
Tuition and fees, net	$ 2,053,353	$ 2,239,935	$ (186,582)	(8.3) %
Grants	2,144,706	2,658,368	(513,662)	(19.3)
Other operating revenue	596,659	638,692	(42,033)	(6.6)
Total operating revenues	4,794,718	5,536,995	(742,277)	(13.4)
Operating expenses:				
Instruction	4,972,520	3,590,443	1,382,077	38.5
Public services	273,720	127,513	146,207	114.7
Academic support	1,120,415	726,914	393,501	54.1
Student services	894,496	1,044,145	(149,649)	(14.3)
Institutional support	2,953,739	2,492,920	460,819	18.5
Scholarships	2,256,606	2,335,590	(78,984)	(3.4)
Plant operations	1,325,750	940,748	385,002	40.9
Auxiliary enterprises	334,918	300,448	34,470	11.5
Depreciation	958,959	973,663	(14,704)	(1.5)
Total operating expenses	15,091,123	12,532,384	2,558,739	20.4
Operating loss	(10,296,405)	(6,995,389)	(3,301,016)	47.2
Nonoperating revenues (expenses):				
State support	5,241,152	3,006,924	2,234,228	74.3
Property taxes	2,489,166	2,499,524	(10,358)	(0.4)
Grants	1,349,390	1,603,708	(254,318)	(15.9)
Other nonoperating revenue	227,906	294,871	(66,965)	(22.7)
Other nonoperating expenses	(654,699)	(696,612)	41,913	(6.0)
Total nonoperating revenues (expenses)	8,652,915	6,708,415	1,944,500	29.0
Decrease in net position	(1,643,490)	(286,974)	(1,356,516)	472.7
Net position, beginning of year	14,555,797	14,842,771	(286,974)	(1.9)
Net position, end of year	$ 12,912,307	$ 14,555,797	$ (1,643,490)	(11.3) %

CONDENSED FINANCIAL INFORMATION AND ANALYSIS (Continued)

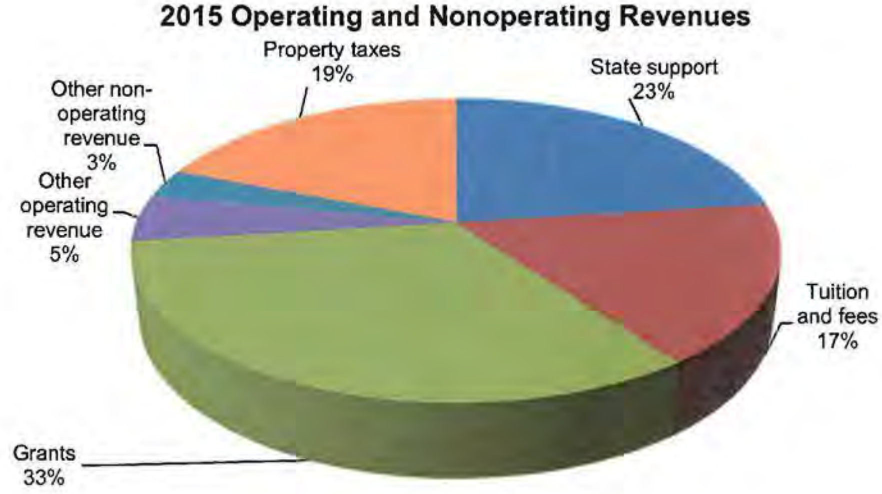
Revenues

The following graphs show the allocation of revenues for fiscal years 2016 and 2015.

2016 Operating and Nonoperating Revenues



2015 Operating and Nonoperating Revenues



CONDENSED FINANCIAL INFORMATION AND ANALYSIS (Continued)

Operating Revenues

The sources of operating revenue for the College are tuition and fees, federal, state and local grants, bookstore sales and other operating revenue. Operating revenues decreased by 13.4% as compared to 2015.

Tuition and fees, which include all amounts paid for educational purposes, decreased 8.3% by $186,582 to $2,053,353, which represents 15% of total revenue. Operating revenue from federal, state and local grants decreased by 19.3% or $513,662 to $2,144,706 due to less awards from Federal Student Aid than in the previous year.

Nonoperating Revenues

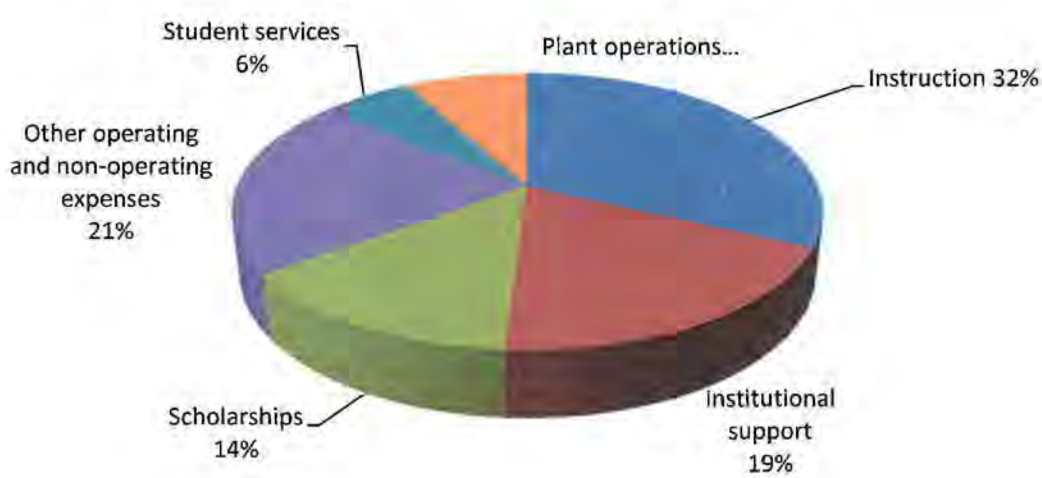
Net nonoperating revenues increased overall by $1,944,500 to $8,652,915. One of the three largest nonoperating revenue sources is the State of Oregon which funds FTE reimbursements through the Community College Support Fund and represents 37% of total revenue. State Community College Support revenue increased by 74.3% to $5,241,152 primarily due to receiving five payments in 2016 versus three in 2015 which is consistent with this being the first year of the biennium. The deferrals were enacted in 2003 by the Oregon Legislature and are scheduled to occur on alternate years so that the State could balance its biennial budget.

Property taxes decreased by .4% to $2,489,166 and represents 18% of total revenue. Of the property taxes received, approximately 57% is attributed to general obligation bond levies and 43% is from the permanent operating levy rate of $0.2703 per thousand.

Expenses

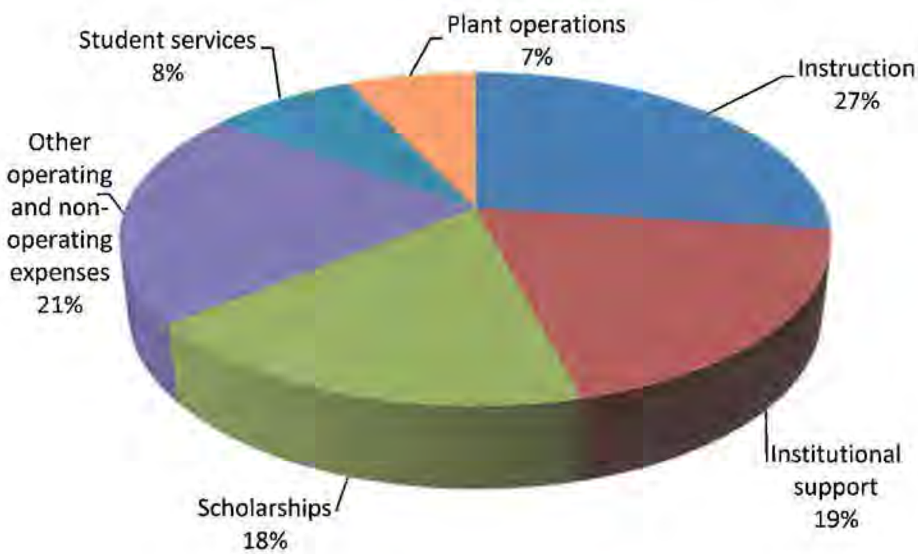
The following graphs show the allocation of expenses for the College by functional classification for fiscal years 2016 and 2015:

2016 Operating and Nonoperating Expenses



CONDENSED FINANCIAL INFORMATION AND ANALYSIS (Continued)

2015 Operating and Nonoperating Expenses



Operating Expenses

Operating expenses increased by 20% to \$15,091,123. Instruction expenses are the largest percentage of total expenses at 32% for a total of \$4,972,520. Scholarships distributed as Financial Aid decreased by 3.4% to \$2,256,606 as compared to the prior year and accounts for 14% of total expenses. Institutional support increased by 18% to \$2,953,739 or 19% of total expenses. Plant operations increased by 41% to \$1,325,750 or 8% of total expenses. Academic support increased by 54% to \$1,120,415 or 7% of total expenses. Student services expense decreased by 14% to \$894,496 and represents 6% of total expenses. Depreciation increased 2% to \$958,959 or 6% of total expenses.

CONDENSED FINANCIAL INFORMATION AND ANALYSIS (Continued)

The following table shows the statements of cash flows at June 30, 2016 and 2015:

	2016	2015	Increase/ (Decrease) in Cash	Change %
Cash flows from operating activities:				
Cash received from tuition and fees	$ 2,020,860	$ 2,247,608	$ (226,748)	(10.1) %
Cash received from grants	2,117,509	2,597,770	(480,261)	(18.5)
Other operating revenue	725,100	576,242	148,858	25.8
Cash paid for operating activities	(11,400,262)	(13,026,517)	1,626,255	(12.5)
Net cash flows from operating activities	(6,536,793)	(7,604,897)	1,068,104	(14.0)
Cash flows from noncapital financing activities:				
Cash received from state support	5,241,152	3,006,924	2,234,228	74.3
Cash received from property taxes	2,486,970	2,528,062	(41,092)	(1.6)
Cash received from grants	1,349,390	1,603,708	(254,318)	(15.9)
Leases and other	201,458	243,674	(42,216)	(17.3)
Principal paid on Pre-SLGRP liability	(62,808)	(48,682)	(14,126)	29.0
Principal paid on noncapital debt, net	(105,771)	(86,399)	(19,372)	22.4
Interest paid on noncapital debt	(206,911)	(192,443)	(14,468)	7.5
Total cash flows from noncapital financing activities	8,903,480	7,054,844	1,848,636	26.2
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(283,885)	(117,735)	(166,150)	141.1
Principal paid on long-term debt	(1,102,000)	(1,035,000)	(67,000)	6.5
Interest paid on long-term debt	(528,188)	(489,565)	(38,623)	7.9
Net cash flows from capital and related financing activities	(1,914,073)	(1,642,300)	(271,773)	16.5
Cash flows from investing activities:				
Net change in investments	103,558	653,741	(550,183)	(84.2)
Interest Income	26,452	51,197	(24,745)	(48.3)
Net cash flows from investing activities	130,010	704,938	(574,928)	(81.6)
Increase (decrease) in cash and cash equivalents	582,624	(1,487,415)	2,070,039	(139.2)
Cash and cash equivalents, beginning of year	1,153,877	2,641,292	(1,487,415)	(56.3)
Cash and cash equivalents, end of year	$ 1,736,501	$ 1,153,877	$ 582,624	50.5 %

CONDENSED FINANCIAL INFORMATION AND ANALYSIS (Continued)

Operating Activities

The College's major sources of cash included in operating activities were tuition and fees of $2,020,860, and grants of $2,117,509. Major operating uses of cash were payments to employees and suppliers, as well as for student financial aid, totaling $11,400,262. The College used 14% or $1,068,104 less in cash in its operating activities than in the prior year, primarily due to a decrease in payments to employees of $1,170,351 compared to 2015.

Noncapital Financing Activities

State appropriations and property taxes are the primary sources of noncapital financing activities. Cash provided from noncapital financing activities totaled $8,903,480 primarily from cash received from state FTE reimbursement of $5,241,152, cash from property taxes of $2,486,970, and cash received for Pell grants of $1,349,390. Other sources include leases and other nonoperating revenue. 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. Cash used by noncapital financing activities include cash paid for principal and interest payments for pension bonds, and other nonoperating expenses.

The net cash provided by noncapital financing activities increased 26% or $1,848,636 over the prior year. Cash received from state appropriations increased by $2,234,228 due to receiving five payments versus only three in the prior year which his consistent with this being the first year of the biennium. Property taxes decreased by $41,902.

Capital and Related Financing Activities

The capital financing uses of cash were the acquisition of capital assets of $283,885, principal payments of $1,102,000 and interest payments of $528,188. The net cash used by capital financing activities increased by $271,773 or 17%. Purchases of capital assets increased by $166,150 compared to the prior year. Principal paid on long-term debt increased by $67,000. Interest paid on long-term debt increased by $38,623.

Investing Activities

Investing activities provided $130,010 in net cash, resulting from earnings on investments of $26,452, and the net change in investments of $103,558.

Cash provided from earnings on investments decreased by $24,745 to $26,452 as a result of investment activities. Net change in investments provided $103,558 of cash as compared to $653,741 of cash in the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The College's investment in capital assets as of June 30, 2016, amounts to $29,659,596 net of accumulated depreciation. Capital assets includes land, buildings and improvements, and furniture, equipment, and machinery. Additional information on the College's capital assets can be found in Note 5 of this report.

Debt Administration

As of June 30, 2016, the College had total debt outstanding of $17,753,224, including series 2012 bond premium of $775,093. Of this amount, $12,470,000 is the outstanding general obligation bond series 2012 refunding; $3,256,131 is the outstanding pension obligation bond series 2003 including both the current and deferred interest balances, and $1,252,000 is the outstanding full faith and credit financing agreement. Total debt outstanding was reduced by $1,288,171 of principal payments and amortization of the premium.

Additional information on the College's bonds payable can be found in Note 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS

The college has made enormous progress in the last year. After implementing difficult spending reductions, revenues exceeded expenditures in Fiscal Year 2015-16 for the first time after three-years in the general fund. The college spent over $1 million fewer dollars this year compared to the last. In 2015, the General Fund expenses were $9,420,181; in 2016, the General Fund expenditures are $8,114,246. Due to the GASB accounting requirements mentioned throughout the notes section, this gain is not noticed as easily. There is approximately $3.2 million in adjustments for GASB Statement No. 68 related to PERS. The college managed the budget reductions while maintaining all academic programs, degrees, and certificates.

Significant financial challenges remain, but over the longer term the college's future is bright. The college and multiple high school districts have been working on numerous efforts to improve high school dual enrollment and accelerated learning. As a result of the last legislative session, there were many discussions and funding sources to encourage the college to more fully engage the local school district to create a seamless K-14 system. The Degree of Associate of Science Oregon Transfer in Computer Science was added to the college catalog this past year. A mid-cycle accreditation review and master planning process has been completed. Over the next year, the college will implement the resulting recommendations, including the addition of a contracted Institutional Researcher from Linn-Benton Community College, maintaining faculty professional development budgets, and building an assessment framework to identify future programs to add and those that should be phased out.

Community college enrollment has declined state-wide as a strengthening economy temporarily reduces the need for professional retraining. This means the college is achieving its mission because its graduates are well positioned to take advantage of the growing economy with enhanced skills and training. The college's students continue to receive an excellent return on their educational

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS (Continued)

investment. According to the State of Oregon Employment Department[1] unemployment rates for individuals with a two-year degree are 1.5% lower than individuals with a high-school diploma and 5.5% lower than individuals who did not complete high school. Earnings increase with education as well. Average hourly earnings increase 19% for individuals with a two-year degree compared to those with only a high school education. Students are generally happy with the value they receive at the college. In a recent survey of 231 students, when asked to rate the college's value on a scale of one, being "poor value", to five, being "great value", 86% rated the college as a four or higher. 97% of students reported that they recommend the college to others.

Despite enrollment that has returned to pre-recession levels, state support has not. The Governor's Recommended Budget allocates 2.9% of the State's discretionary resources to community colleges; compared to 4.4% in the 2007-09 biennium.

The college's new strategic plan for 2016-2019 has five focus areas:

- Strengthening enrollment, specifically underserved students (Hispanic, 1st generation, low-income)
- Increasing retention rates and completion rates of enrolled students
- Provide curriculum and programs that are relevant and diverse that further strengthen performance and meets the needs of the communities
- Expand collaborations with business, industry, and educational partners to align with regional needs
- Stable, flexible funding that maintains quality programs, faculty and staff while strengthening its ability to more effectively invest and allocate resources to achieve success.

It is now time for investment in the future. The college continues to focus on aligning our budget priorities with our primary goal of student success and strengthening the communities that we serve. Columbia Gorge Community College remains committed to the mission of building dreams and transforming lives by providing life-long educational opportunities that strengthen our community.

REQUEST FOR INFORMATION

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

Controller
Columbia Gorge Community College
400 East Scenic Drive
The Dalles, OR 97058

[1] https://www.qualityinfo.org/documents/10182/13332/Education+Pays+Poster?version=1.7

BASIC FINANCIAL STATEMENTS

COLUMBIA GORGE COMMUNITY COLLEGE

STATEMENT OF NET POSITION

JUNE 30, 2016

ASSETS:	
Cash and cash equivalents	$ 1,736,501
Investments	2,312,015
Receivables, net of allowance for doubtful accounts of $363,481	1,349,217
Inventories and other current assets	223,067
Current assets	5,620,800
Capital assets, net	29,659,596
Total assets	35,280,396
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	915,941
Pension	714,092
Total deferred outflows of resources	1,630,033
LIABILITIES:	
Accounts payable	64,672
Accrued payroll and taxes	397,742
Unearned revenue	531,283
Bonds payable	1,418,074
Current liabilities	2,411,771
Other postemployment benefit obligation	402,842
Pre-SLGRP pooled liability	916,108
Net pension liability	3,150,408
Bonds payable, net current portion	16,335,150
Noncurrent liabilities	20,804,508
Total liabilities	23,216,279
DEFERRED INFLOWS OF RESOURCES - PENSION	781,842
NET POSITION:	
Net investment in capital assets	16,358,189
Restricted for:	
Debt service	1,440,079
Capital projects	279,745
Unrestricted	(5,165,706)
TOTAL NET POSITION	$ 12,912,307

See notes to basic financial statements.

COLUMBIA GORGE COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2016

OPERATING REVENUES:	
Tuition and fees, net	$ 2,053,353
Grants:	
Federal	1,687,668
State and local	457,038
Auxiliary enterprises	265,085
Other	331,574
Total operating revenues	4,794,718
OPERATING EXPENSES:	
Instruction	4,972,520
Public service	273,720
Academic support	1,120,415
Student services	894,496
Institutional support	2,953,739
Scholarships	2,256,606
Plant operations	1,325,750
Auxiliary enterprises	334,918
Depreciation	958,959
Total operating expenses	15,091,123
OPERATING LOSS	(10,296,405)
NONOPERATING REVENUES (EXPENSES):	
State support	5,241,152
Property taxes	2,489,166
Grants	1,349,390
Interest income	26,452
Lease income	173,905
Interest expense	(654,699)
Other	27,549
Total nonoperating revenues (expenses)	8,652,915
DECREASE IN NET POSITION	(1,643,490)
BEGINNING NET POSITION	14,555,797
ENDING NET POSITION	$ 12,912,307

See notes to basic financial statements.

COLUMBIA GORGE COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$ 2,020,860
Grants	2,117,509
Auxiliary enterprise charges	294,384
Other	430,716
Payments to employees	(6,879,224)
Payments to suppliers	(2,228,021)
Financial aid and scholarships	(2,293,017)
Net cash flows from operating activities	(6,536,793)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State support	5,241,152
Property taxes	2,486,970
Grants	1,349,390
Leases and other	201,458
Principal paid on Pre-SLGRP liability	(62,808)
Principal paid on noncapital debt, net	(105,771)
Interest paid on noncapital debt	(206,911)
Net cash flows from noncapital financing activities	8,903,480
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(283,885)
Principal paid on capital debt	(1,102,000)
Interest paid on capital debt	(528,188)
Net cash flows from capital and related financing activities	(1,914,073)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net change in investments	103,558
Interest income	26,452
Net cash flows from investing activities	130,010
DECREASE IN CASH AND CASH EQUIVALENTS	582,624
BEGINNING CASH AND CASH EQUIVALENTS	1,153,877
ENDING CASH AND CASH EQUIVALENTS	$ 1,736,501
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES:	
Operating loss	$ (10,296,405)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	1,053,963
Net pension expense	2,734,988
Changes in assets and liabilities:	
Receivables	(315,903)
Inventories and other current assets	32,380
Accounts payable	(35,033)
Accrued payroll and taxes	(19,769)
Unearned revenue	289,650
Other postemployment benefit obligation	19,336
Net cash flows from operating activities	$ (6,536,793)

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

1. COLLEGE

Columbia Gorge 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 by the Higher Education Coordinating Commission.

The college is an independent municipal corporation under Oregon Revised Statutes. The seven-member board appoints a president to administer the activities of the college. The college maintains a main campus in Wasco County and a second campus in Hood River County.

On July 17, 2013, the Northwest Commission on Colleges and Universities approved the college's request for independent accreditation, following a journey that began in 2006 upon direction of the college's board.

The college had been accredited since its establishment in 1977 through a contract with Portland Community College (PCC). The college's quest for independent accreditation enjoyed the full support and encouragement of PCC, which had been responsible for program review and other key functions. Graduates also received diplomas from PCC instead of the college.

The college achieved formal candidacy for independent accreditation in 2008, which in itself allowed the institution to compete for federal grants and award financial aid. Independent accreditation confers other major benefits, including greater flexibility in developing new instructional programs, additional access to resources, and most importantly, improved service to students.

Independent accreditation is a milestone, not a destination. The distinction brings with it the requirement for continual evaluation and improvement, using specific measures to determine how the institution is meeting its mission of "Building dreams and transforming lives by providing life-long educational opportunities that strengthen our community." That process will never end.

The basic financial statements of the college have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standards-setting body for establishing governmental accounting and reporting principles. The most significant accounting policies are described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in accordance U.S. GAAP as prescribed by the GASB, including Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis – for Public Colleges and Universities.* The college follows the "business-type activities" reporting requirements of GASB Statement No. 35 that provides a comprehensive one-column look at the college's financial activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards Implemented

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB 72, note disclosures have been expanded to categorize fair values according to their relative reliability (i.e. Level 1, Level 2, Level 3).

Basis of Accounting

For financial statement reporting purposes, the college is considered a special-purpose government engaged only in business-type activities. Accordingly, the college's basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period liabilities are incurred, regardless of the timing of related cash flows. All significant intra-college transactions have been eliminated.

Non-exchange transactions, in which the college receives value without directly giving equal value in return, include property taxes, federal, state, and local grants, state appropriations, and other contributions. On an accrual basis, revenue from property taxes is recognized as revenue in the years for which they are levied. Revenue from grants, state appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the college must provide local resources to be used for a specific purpose; and expenditure requirements in which the resources are provided to the college on a reimbursement basis.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosures of contingent assets and deferred outflows and liabilities and deferred inflows at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risks of changes in value because of changes in interest rates. 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.

2. 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, bank repurchase agreements and bankers' acceptances. As of June 30, 2016, and for the year then ended, the college was in compliance with the aforementioned State of Oregon statutes. Investments are stated at fair value, which is based on the individual investment's quoted market prices at year end.

Receivables

All student accounts, grants, student loans and property taxes receivable are shown net of an allowance for uncollectible accounts. Student accounts receivable are recorded as tuition is assessed. The allowance for uncollectible accounts is determined based upon aged receivable balance and likelihood of collection.

Property taxes are levied and become a lien on all taxable property on 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. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes receivable are recognized as revenue when levied.

Inventories

Inventories include textbooks and supplies purchased for resale to students and expendable office and instructional supplies. The inventories are stated at the lower of cost or market. Cost amounts are determined on the first-in-first-out method.

Capital Assets

Capital assets include land and land improvements; building and building improvements; furniture, equipment and machinery, and construction in progress. The college's capitalization threshold is $5,000 for furniture, equipment and machinery and $50,000 for buildings and building improvements, and land and land improvements, and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. 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.

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

Building and building improvements	20-50 years
Furniture, equipment and machinery	5-20 years
Land improvements	10-25 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

College employees accumulate vacation pay in varying amounts depending on years of continued service. It is the college's policy to permit employees to accumulate earned but unused vacation pay. All outstanding vacation time is payable upon termination of employment. Vacation pay is recorded within accrued payroll and taxes on the Statement of Net Position, and an expense when earned.

Sick leave accumulates one day per month for full-time employees. Sick leave accumulates for full-time faculty based on contract days. For a regular 180-day full-time faculty contract, a total of 10 days sick leave is accrued per year. There is no limit on accumulation and it is not compensable upon termination of employment. No liability is reported for unpaid accumulated sick leave.

Unearned Revenue

Summer term tuition and fees are collected in part in the months of May and June; however, the revenue and expense of summer term is reflected in the budget for the following fiscal year when it will be earned. Due to this timing difference, unearned revenue has been recorded to account for summer and fall term tuition and fees to be recognized as revenue in the month of July.

Grant or contract revenue which was received prior to the occurrence of qualifying expenses and prior to the end of the fiscal year but was intended for expense in the following fiscal year has been deferred and recognized as unearned revenue.

Pre-SLGRP Pooled Liability

The pre-SLGRP pooled liability is an actuarially determined liability recorded in the Statement of Net Position based on the college's entry into the OPERS State and Local Government Rate Pool. This pre-SLGRP pooled transition liability is reduced each year by contributions to OPERS and increased for interest charged by OPERS.

Bonds Payable

Bond premiums and discounts, and any amounts deferred on refunding of debt are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Premiums and discounts are netted against outstanding debt for reporting in the financial statements. The college reports a deferred charge on refunding as a deferred outflow of resources.

Pension

Eligible college employees are participants in the State of Oregon Public Employees Retirement System (OPERS). For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the OPERS and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefit Obligation

The other postemployment benefit (OPEB) obligation is recognized as a long term liability in the Statement of Net Position, the amount of which is actuarially determined.

Net Position

Net position represents the difference between the college's total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Net position is classified in the following components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restrictions may also result from endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted – This component of net position consists of resources available to be used for transactions relating to the general obligations of the college, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

The college policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Operating and Nonoperating Revenues and Expenses

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

2. 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 and funds provided to students as awarded by others 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. Tuition and fees are shown net of scholarship allowances of $814,503 for the year ended June 30, 2016. Under the alternative method, these amounts are computed 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.

3. CASH AND INVESTMENTS

The primary investment objectives of the college's investment activities are preservation of capital, liquidity, diversification and yield. The college's cash and investments are comprised of the following at June 30, 2016:

Cash and cash equivalents:	
Cash on hand	$ 2,676
Deposits with financial institutions	250,263
Brokerage cash account	3,259
Cash with county assessors	20,271
Oregon Local Government Investment Pool	1,459,994
Cash with PERS Obligation Bond paying agent	38
Total cash and cash equivalents	1,736,501
Investments:	
Government and agency securities	1,390,924
Corporate bonds	921,091
Total investments	2,312,015
Total cash and investments	$ 4,048,516

Deposits with Financial Institutions – On June 30, 2016, the college held $250,263 book balance in demand deposits with a bank balance of $349,658. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Where balances exceed the Federal Deposit Insurance Corporation (FDIC) amount of $250,000, the balances are covered by collateral held in a multiple financial institution collateral pool (ORS 295.015) administered by the Oregon State Treasury in the Public Funds Collateralization Program (PFCP). As of June 30, 2016, $276,979 was covered by FDIC insurance and $72,679 were collateralized under the PFCP.

3. CASH AND INVESTMENTS (Continued)

Brokerage Cash Account – The college's brokerage cash account with Fidelity Investments is cash awaiting reinvestment by the college's investment advisor, Vision Capital Management, Inc. As of June 30, 2016, the college held $3,259 in the Fidelity brokerage cash account. Fidelity Brokerage Services, LLC (FBS) through National Financial Services, LLC (NFS) provides its customers additional "excess Securities Investor Protection Corporation (SIPC)" coverage from Lloyd's of London. This additional protection covers up to an aggregate limit of $1 billion of which $1.9 million may cover cash awaiting reinvestment at the individual account level. This protection becomes available in the event that SIPC limits are exhausted and is the highest level of excess SIPC coverage currently available. No coverage protects against a decline in the market value of securities.

Oregon Local Government Investment Pool (LGIP) – The LGIP is an open-ended no-load diversified portfolio pool 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 fair value of the college's position in the pool is substantially the same as the value of the college's participant balance.

The LGIP is an external investment pool which is part of the Oregon Short-Term Fund (OSTF). Investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments are further governed by the portfolio guidelines issued by the OSTF, which establish diversification percentages and specify the types and maturities of investments The OSTF does not receive credit quality ratings from nationally recognized statistical rating organizations.

Investments – ORS Chapter 294 governs the college's investments and authorizes investment in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the LGIP, among others. Lawfully issued general obligations of the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government may be rated or unrated obligations. Corporate indebtedness must be rated on the settlement date P-1 or Aa or better by Moody's Investors Service or A-1 or AA or better by Standard & Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization.

The college's investments are managed in accordance with an investment advisor agreement with Vision Capital Management, Inc. and securities are held in custody at FBS in accordance with a custodial agreement. The college President is the custodial officer of funds within the meaning of ORS 294.035 and is authorized to make ongoing investments of available funds without the requirement for further Board of Education approval or directives per Board policy DFA/DG.

- Government and agency securities of $1,390,924 are valued using quoted market prices (Level 1 inputs)
- Corporate bonds of $921,092 are valued using quoted market prices (Level 1 inputs)

3. CASH AND INVESTMENTS (Continued)

Investments (Continued)

The LGIP is unrated. Investments held at June 30, 2016, are categorized by rating as follows:

		Highest Rating From Moody's Investors Service or Standard & Poor's Corporation			
Investment Type	Total	Aaa	Aa1/Aa2	A1	Not rated
Government and Agency Securities	$ 1,390,924	$ 336,082	$ -	$ -	$ 1,054,842
Corporate Bonds	921,091	240,214	454,684	226,193	-
Total	$ 2,312,015	$ 576,296	$ 454,684	$ 226,193	$ 1,054,842

Concentration of Credit Risk - Investments – In accordance with GASB Statement No. 40, the college is required to report all individual non-federal investments which exceed 5% of total invested funds. As of June 30, 2016, the College held the following:

	Value	Percentage of total investments
Toronto Dominion Bank Note	$ 140,062	6.06 %
Private Expt Fdg Corp	130,083	5.63
General Elec Cap Corp Mtn BE	116,123	5.02

Custodial Credit Risk - Investments – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the college will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The college's investment securities are held in the college's name in custody at Fidelity Investments. As of June 30, 2016, the total investments held in custody were $2,312,015.

Interest Rate Risk - Investments – As a means to limit exposure to fair value loss arising from interest rates, the college's investment policy requires that 100% of the college's investments mature in less than 18 months. Actual maturities for the college's investments are as follows:

Maturity less than	Actual at June 30, 2016
30 days	12 %
90 days	25
180 days	31
One year	68
18 months	100

4. RECEIVABLES

Receivables at June 30, 2016, consist of:

Student	$ 950,280
Grants	581,256
Property taxes	179,199
Other	1,963
	1,712,698
Allowance for doubtful accounts	(363,481)
	$ 1,349,217

5. CAPITAL ASSETS

The following table presents the changes in the various capital asset categories:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	$ 2,310,510	$ -	$ -	$ 2,310,510
Capital assets being depreciated:				
Buildings and improvements	34,252,451	122,460	-	34,374,911
Furniture, equipment, and machinery	2,117,745	161,425		2,279,170
Total capital assets being depreciated	36,370,196	283,885	-	36,654,081
Total capital assets	38,680,706	283,885	-	38,964,591
Less accumulated depreciation for:				
Buildings and improvements	(7,177,966)	(784,676)	-	(7,962,642)
Furniture, equipment, and machinery	(1,168,070)	(174,283)	-	(1,342,353)
Total accumulated depreciation	(8,346,036)	(958,959)	-	(9,304,995)
Total capital assets being depreciated, net	28,024,160	(675,074)	-	27,349,086
Total capital assets, net	$ 30,334,670	$ (675,074)	$ -	$ 29,659,596

The college, as lessor, leases a portion of its buildings totaling $4,462,676 with accumulated depreciation of $1,086,270 as of June 30, 2016. See Note 11 for further information.

6. PRE-STATE AND LOCAL GOVERNMENT RATE POOL (SLGRP) LIABILITY

This pre-SLGRP liability amount is the difference between the total unfunded actuarial liability (UAL) and the UAL attributable to the SLGRP for the employers that have joined the rate pool. The liability that existed prior to the college joining the rate pool is the sole responsibility of the college and is separate from the pooled PERS pension liability amount. At June 30, 2016, the college reported a liability of $916,108 for the pre-SLGRP pooled liability. Annual debt service to maturity is based on the assumed interest rate, currently 7.5% and the rate charged by OPERS.

7. BONDS PAYABLE

The following is a summary of long-term debt transactions of the college:

	Original Amount	Outstanding June 30, 2015	Increases	Decreases	Outstanding June 30, 2016	Due within One Year
General Obligation Bond:						
Refunding Bonds, Series 2012, interest rates 2.0-5.0%						
Principal	$ 13,790,000	$ 13,485,000	$ -	$ (1,015,000)	$ 12,470,000	$ 1,125,000
Bond premium	1,125,553	855,493	-	(80,400)	775,093	-
Pension Obligation Bond:						
Series 2003 original issue - current	3,570,327	2,568,643	-	(95,808)	2,472,835	95,671
deferred	-	793,259	-	(9,963)	783,296	107,403
Full Faith and Credit Financing						
Series 2013 original issue	1,500,000	1,339,000	-	(87,000)	1,252,000	90,000
Total		$ 19,041,395	$ -	$ (1,288,171)	$ 17,753,224	$ 1,418,074

Future maturities of principal and interest of long-term debt are as follows:

Year Ending June 30,	General Obligation Bonds	Interest	Pension Obligation Bond	Interest	Full Faith and Credit Financing	Interest	Total Principal	Total Interest
2017	$ 1,125,000	$ 386,026	$ 95,671	$ 222,049	$ 90,000	$ 34,430	$ 1,310,671	$ 642,505
2018	1,135,000	363,526	94,972	237,748	92,000	31,955	1,321,972	633,229
2019	1,210,000	329,476	93,659	254,061	94,000	29,425	1,397,659	612,962
2020	1,305,000	299,225	92,573	270,147	97,000	26,840	1,494,573	596,212
2021	1,360,000	260,075	92,562	290,157	100,000	24,173	1,552,562	574,405
2022-2026	6,335,000	575,350	1,313,398	886,015	541,000	78,128	8,189,398	1,539,493
2027-2028	-	-	690,000	51,240	238,000	9,873	928,000	61,113
	$ 12,470,000	$ 2,213,678	$ 2,472,835	$ 2,211,417	$ 1,252,000	$ 234,823	$ 16,194,835	$ 4,659,918

General Obligation Bond Issue

On March 15, 2012, the college issued $13,790,000 in General Obligation Bonds, Series 2012, to partially defease and refund series 2005 general obligation bonds approved by the college voters in Hood River and Wasco Counties.

7. BONDS PAYABLE (Continued)

Pension Obligation Bond Issue

On April 23, 2003, the college participated with six community college districts in a pooled issuance of limited tax pension obligation bonds to finance the college's estimated Oregon Public Employees Retirement System (PERS) unfunded actuarial liability. The college issued $3,570,327 in debt as part of a pooled issuance of $153,582,300. The $3,570,327 of debt includes $1,750,327 Series 2003A deferred interest bonds and $1,820,000 Series 2003B current interest bonds. Interest on the deferred interest bonds is accreted semiannually at yields ranging from 1.40% to 6.25%. Interest on the current coupon bonds is payable semiannually at rates ranging from 5.60% to 5.68%. Except for the payment of its pension bond payments and additional charges when due, each community college district has no obligation or liability to any other participating district's pension bonds or liability to Oregon PERS.

Bond proceeds were paid to the Oregon Public Employees Retirement System. An intercept agreement with the State of Oregon was required as a condition of issuance; therefore a portion of the Community College Support Fund support is withheld on August 15, October 15 and January 15 to repay debt. Funds are accumulated and invested by a trust officer and annual principal payments are made each June 30, and interest payments are made each June 30 and December 30, beginning December 2003 and ending June 2028. Interest rates range from 1.40% to 6.25% in accordance with the terms stated at issuance. The college accounts for the payment of principal and interest as pension expense annually. The college anticipates the total cost of financing the college's unfunded actuarial liability in this manner will result in significant savings to the college when compared to paying for such costs as additional contribution rates to PERS.

Full Faith and Credit Financing Agreement

In 2013, the college Board approved obtaining a Full Faith and Credit Financing agreement in the amount of $1,500,000. The purpose of the loan was to acquire and improve a property adjacent to the current Hood River campus for possible future campus expansion.

8. PENSION PLANS

Pension

Oregon Public Employees Retirement System

Plan Description – Employees of the college are provided with pensions through OPERS. The college contributes to OPERS, established pursuant to ORS Chapters 238, Defined Benefit Pension Plan (OPERS Tier I/Tier II) and 238A, Oregon Public Service Retirement Pension (OPSRP) Program (collectively the Plan). Copies of the OPERS' Comprehensive Annual Financial Report and Actuarial Valuations may be obtained at:
http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

OPERS Tier I/Tier II - The 1995 Oregon Legislature established a different level of benefits for employees who began their six month waiting period on or before January 1, 1996 called Tier II. The plan is closed to new members hired on or after August 29, 2003.

8. PENSION PLANS (Continued)

Oregon Public Employees Retirement System (Continued)

Benefits Provided

Tier I/Tier II Retirement Benefit ORS Chapter 238

Pension Benefits – The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0% for police and fire employees, 1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated either under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier I general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier II members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits – Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by an OPERS employer at the time of death,
- Member died within 120 days after termination of OPERS-covered employment,
- Member died as a result of injury sustained while employed in an OPERS-covered job, or
- Member was on an official leave of absence from an OPERS-covered job at the time of death.

Disability Benefits – A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

8. PENSION PLANS (Continued)

Oregon Public Employees Retirement System (Continued)

Benefits Provided (Continued)

Tier I/Tier II Retirement Benefit ORS Chapter 238 (Continued)

Benefit Changes After Retirement – Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25% on the first $60,000 of annual benefit and 0.15% on annual benefits above $60,000.

Oregon Public Service Retirement Plan (OPSRP)

Pension Benefits – The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

> General service: 1.5% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and if the pension program is terminated, the date on which termination becomes effective.

Death Benefits – Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50% of the pension that would otherwise have been paid to the deceased member.

Disability Benefits – A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45% of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes after Retirement – Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25% on the first $60,000 of annual benefit and .15% on annual benefits above $60,000.

8. PENSION PLANS (Continued)

Oregon Public Employees Retirement System (Continued)

Contributions – OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced. The college's contributions for the year ended June 30, 2016 were $402,001. The rates in effect for the fiscal year ended June 30, 2016 were 13.93% for Tier 1/Tier 2, 8.38% for OPSRP Pension Program general service member, and 6% for OPSRP Individual Account Program.

Actuarial Assumptions – The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier I/Tier II component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability at December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier I/Tier II UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75%
Long-term Expected Rate of Return	7.75%
Discount Rate	7.75%

8. PENSION PLANS (Continued)

Oregon Public Employees Retirement System (Continued)

Actuarial Assumptions (Continued)

Projected Salary Increases	3.75%
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Discount Rate – The discount rate used to measure the total pension liability (asset) was 7.75% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Long-Term Expected Rate of Return – To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the OPERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption.

8. PENSION PLANS (Continued)

Oregon Public Employees Retirement System (Continued)

Long-Term Expected Rate of Return (Continued)

These assumptions are not based on historical returns, but instead are based on a forward- looking capital market economic model.

Asset Class	Target Allocation	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Market Equities	5.49	7.40
Private Equity	20.00	8.26
Hedge Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	1.25	6.07
Total	100.00	
Assumed Inflation – Mean		2.75

Sensitivity of the College's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the college's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.75%, as well as what the college's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability (asset)	$7,603,393	$3,150,408	$(602,288)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report available at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

8. PENSION PLANS (Continued)

Oregon Public Employees Retirement System (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the college reported a liability of $3,150,408 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 and rolled forward to June 30, 2015. The college's proportion of the net pension laibility was based on the college's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers. At June 30, 2016 and 2015, the college's proportion was 0.05487119% and 0.04866030%, respectively.

For the year ended June 30, 2016, the college recognized pension expense of $3,107,572 for the defined benefit portion of the pension plan as a result of the adoption of GASB Statement No. 68. At June 30, 2016, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 169,886	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	660,397
Changes in proportionate share	106,636	-
Differences between employer contributions and proportionate share of system contributions	35,569	121,445
Total (prior to post measurement date contributions)	312,091	781,842
Contrubtions subsequent to the measurement date	402,001	-
Total	$ 714,092	$ 781,842

$402,001 reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	$ (269,973)
2018	(269,973)
2019	(269,973)
2020	326,070
2021	14,098
	$ (469,751)

8. PENSION PLANS (Continued)

OPSRP Individual Account Program (OPSRP IAP)

Plan Description – Employees of the college are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

Pension Benefits – Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

Death Benefits – Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions – Employees of the college pay 6% of their covered payroll. The college did not make any optional contributions to member IAP accounts for the year ended June 30, 2016. Included in accrued payroll and taxes at June 30, 2016 are $21,895 for employee contributions owed to the plan.

9. OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB)

Implicit Subsidy

Plan Description – The college is a participating district in the Oregon Educators Benefit Board (OEBB) heath care plan that provides postemployment heath, 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 has approximately 90 employees and 6 retirees eligible for or receiving heath care coverage through OEBB as of October 1, 2014.

9. OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) (Continued)

Implicit Subsidy (Continued)

Plan Description (Continued)

The plan generally provides the employee with payment of group medical and dental insurance premiums from retirement date until age 65. Retired employees who are eligible for the OEBB plan may continue enrollment in the health plans on a self-pay basis until age 65.

Funding Policy – For the year ended June 30, 2016, the college retirees paid 100% of their insurance premium costs.

Annual OPEB Cost and Net OPEB Obligation – The college's annual other postemployment benefit cost (expense) is reflected on the Statement of Revenues, Expenses and Changes in Net Position on the accrual basis and is calculated based on the annual required contribution (ARC) of the college, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Previous year's calculations used the alternative measurement method in accordance with 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 (or funding excess) over a period not to exceed thirty years. The college's most recent actuarial valuation date was October 1, 2014, and 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 net OPEB obligation:

Annual required contribution (ARC)	$ 94,034
Interest on net OPEB obligation	13,423
Adjustment to ARC	(46,113)
Annual OPEB cost	61,344
Age adjusted contributions made	(42,008)
Change in net OPEB obligation	19,336
Net OPEB obligation, beginning of year	383,506
Net OPEB obligation, end of year	$ 402,842

9. OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) (Continued)

Implicit Subsidy (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The college's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are as follows:

Fiscal Year Ended*	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	$ 61,344	68 %	$ 402,842
6/30/2015	58,827	71	383,506
6/30/2014	218,557	11	366,665

*The actuarial valuation as of 10/01/2014 applies to FYE 06/30/16 and FYE 06/30/15

Funding Progress – As of October 1, 2014, the actuarial accrued liability for benefits was $413,040, and the actuarial value of plan assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $413,040. The covered payroll (annual payroll of active employees covered by the plan) was $5,251,319 as of June 30, 2014 which approximates the valuation date. For the fiscal year 2016, the ratio of the UAAL to the covered payroll was 7.9%. Using a 30-year amortization period, the Annual Required Contribution (ARC) for 2016 has been actuarially determined to be $94,034, representing $43,253 for the normal cost and $50,781 for amortization of the UAAL.

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. 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. The schedule of funding progress presented immediately following the notes to the basic financial statements as required supplementary information, presents information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

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 the 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the October 1, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.50% investment rate of return (net of administrative expenses), an annual healthcare cost trend rate of 6.25%, and a 2.75% salary inflation assumption. The UAAL is being amortized as a level dollar amount over a period of ten years on an open basis.

9. OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) (Continued)

Retirement Health Insurance Account (RHIA)

Plan Description – As a member of PERS, the college makes contributions 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 PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statutes (ORS) 238.420 established this trust fund. The Oregon legislature has the ability to establish and amend the benefit provisions of the RHIA. The plan is closed to new entrants after January 1, 2004.

PERS issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon, 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.

Funding Policy – ORS require that an amount equal to $60 or the total monthly cost of Medicare companion health insurance premium coverage, whichever is less, shall be paid from the RHIA 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 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 has 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 benefit if he or she is receiving a retirement benefit or allowance from PERS or was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently .53% of annual covered for Tier 1/Tier 2 payroll, and .45% of OPSRP payroll. The PERS board sets the employer contribution rate based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The college's contributions to RHIA for the years ended June 30, 2016, 2015 and 2014 were approximately $19,000, $28,000, and $28,000, respectively.

10. RISK MANAGEMENT

The college is exposed to various risks of loss related to torts, theft, damage, destruction of assets, errors and omissions; injuries to employees and natural disasters. The college is insured for the physical damage to vehicles and carries insurance for all risks of loss, including general and auto liability, property insurance, crime coverage, equipment breakdown coverage, and workers' compensation. General liability insurance generally covers casualty losses with a loss limit of $10 million per occurrence and a $20 million aggregate loss limit. The college's property insurance and equipment breakdown total loss limit is approximately $78,900,000 with a $10,000 property deductible and equipment deductible of $1,000 or $5,000 depending on motor size. Auto liability is the same as general liability with $100 comprehensive and $500 collision deductible. Earthquake and flood coverage has a loss limit of $15 million. Crime coverage has a loss limit of $250,000. Workers' compensation insurance provides statutory coverage and $1 million employer's liability coverage. There was no significant reduction in the college's insurance coverage during the year ended June 30, 2016, and no insurance settlement exceeded insurance coverage for the past three years.

11. LEASES

Leases as Lessor

The college has entered into several lease agreements to other entities for offices, equipment space, or land owned by the college. Future revenue collections on these leases are approximately as follows:

Year Ending June 30,		
2017	$	163,000
2018		148,000
2019		54,000
2020		1,000
Total	$	366,000

Commencing February 1, 2008, the college (lessor) entered into a ground lease agreement with the State of Oregon, acting by and through the Oregon Military Department (lessee), for certain real property involving land and an easement for a term of 50 years, with an additional automatic option to extend an additional 50 years. Rent for the entire term is $1. This lease is related to the National Guard Readiness Center constructed on real property. See leases as lessee.

11. LEASES (Continued)

Leases as Lessee

In January 2014, the college entered into a lease for 13,087 square feet of exclusive space and 27,279 square feet of shared space with the State of Oregon acting by and through the Oregon Military Department to lease space in the new National Guard Readiness Center built on the property described in leases as lessor. There are no payment terms related to this lease. The initial term of the lease expires February 1, 2058 with an option to renew for an additional 50 years which is consistent with the ground lease discussed above under leases as lessor.

The college has also entered into agreements to lease office equipment through March 2019. Total rent expense for the year ended June 30, 2016 approximated $39,495. Future commitments on these leases are as follows:

Year Ending June 30,		
2017	$	38,000
2018		38,000
2019		28,000
Total	$	104,000

12. RELATED ORGANIZATION

The Columbia Gorge Community College Foundation (the Foundation) is a legally separate, tax-exempt not-for-profit corporation. The Foundation's Board of Trustees is independently appointed. The Foundation is responsible for approving its own budget, accounting, and finance-related activities. The college is not able to impose its will on the Foundation. The Foundation is not considered a component unit of the college, as defined by GASB Statement No. 61.

Summarized financial information from internally prepared cash basis financial statements, as of and for the year ended June 30, 2016 is:

Total assets	$	1,587,947
Total net assets		1,587,947
Total revenues, gains, and other support		1,705,266
Total expenses		117,318

REQUIRED SUPPLEMENTARY INFORMATION

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2016

OTHER POSTEMPLOYMENT BENEFIT OBLIGATION

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll
6/30/10	$ -	$ -	$ -	0%	$ 3,788,667	0.00%
6/30/13	-	1,166,739	1,166,739	0%	5,608,714	20.80%
10/1/14	-	413,040	413,040	0%	5,251,319	7.87%

The above table presents the most recent actuarial valuations for the college's post-retirement health and welfare benefits plan and it provides information that approximates the funding progress of the plan.

Covered payroll disclosed above for the 10/1/14 valuation date is as of June 30, 2014, which approximates that payroll on that valuation date.

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF PENSION PLAN CONTRIBUTIONS

FOR THE LAST THREE FISCAL YEARS

Year Ended June 30,	Statutorily required contribution (a)	Contributions in relation to the statutorily required contribution (b)	Contribution deficiency (excess) (a-b)	College's covered payroll (c)	Contributions as a percent of covered payroll (b/c)
2016	$ 402,001	$ 402,001	$ -	$ 4,311,800	9.32 %
2015	496,715	496,715	-	5,350,895	9.28
2014	523,250	523,250	-	5,251,319	9.96

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

FOR THE LAST THREE FISCAL YEARS

Year Ended June 30.	College's proportion of the net pension liability (asset) (a)	College's proportionate share of the net pension liability (asset) (b)	College's covered payroll (c)	College's proportionate share of the net pension liability (asset) as a percentage of covered payroll (b/c)	Plan fiduciary net position as a percentage of the total pension liability (asset)
2016	0.0548712%	$ 3,150,408	$ 5,350,895	58.9%	91.88%
2015	0.0486603%	(1,102,990)	5,251,319	(21.0%)	103.60%
2014	0.0486603%	2,483,206	5,067,970	49.0%	91.97%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Amounts for covered payroll use the prior year's data to match the measurement date used by the pension plan (PERS) for each fiscal year presented above.

Changes in Plan Provisions - The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861 that were included in the 2013 actuarial valuation setting employer rates for July 1, 2015 through June 30, 2017. This reversal increased the benefits projected to be paid and consequently increased plan liabilities.

Changes of Assumptions - A summary of key changes implemented since the December 31, 2013 valuation are described in the Oregon Public Employees Retirement System's GASB Statement No. 68 Disclosure Information. Details and a comprehensive list of changes in methods and assumptions can be found in the 2013 Experience Study for the System, which was published on September 29, 2014, and can be found at http://www.oregon.gov/pers/docs/financial_reports/actuarial_service/2013_actuarial_valuation.pdf.

SUPPLEMENTARY INFORMATION

COLUMBIA GORGE COMMUNITY COLLEGE

BUDGETARY INFORMATION

YEAR ENDED JUNE 30, 2016

Oregon Administrative Rules require an individual Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, be prepared for each fund which the College is legally required to budget.

MEASURMENT FOCUS AND BASIS OF ACCOUNTING

The College focuses on changes in current financial resources in the preparation, adoption and execution of annual budgets for the College's funds. The modified accrual basis of accounting is used to account for transactions or events that have increased or decreased the resources available for spending in the near future. The budget schedules include all transactions or events that affect the fund's current financial resources, even though these transactions may not affect net position. Such transactions include:

The issuance of debt
Debt service principal payments
Capital outlay

Revenues are recognized when they are susceptible to accrual. To be susceptible to accrual, the revenue must be both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The College deems revenues received within 60 days of the end of the fiscal year to be available and subject to accrual. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recorded only when expected to be liquidated with available expendable financial resources. State support is recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grant revenue is recognized when the qualifying expenditures have been incurred and all other grant requirements have been met. Other receipts, including property taxes, become measurable and available when cash is received by the College and recognized as revenue at that time.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The appropriations resolution for the General Fund contains amounts for instruction, academic support, student services, institutional support, financial aid, plant operation and maintenance, and contingency. For all other funds, the appropriations resolution contains amounts for personnel services, materials and services, debt service, capital outlay, fund transfers and an operating contingency, if needed. This is the legal level of control for authorized expenditures.

The level of expenditures is monitored throughout the year. Transfers are made from operating contingency or between the major object classifications of the appropriation for each fund as required to prevent an over expenditure. Such budget changes require Board of Education approval.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budget amounts shown in the individual fund financial schedules include appropriation transfers and appropriations increases pursuant to ORS 294.326(2), which allows for appropriations increases for unanticipated specific purpose grants. All appropriations transfers and increases are approved by the Board of Education. Appropriations for all funds lapse at the end of each fiscal year.

DESCRIPTION OF FUNDS

The College has the following funds:

The *General Fund* accounts for the financial operations of the College not accounted for in any other fund. Major sources of revenue are local property taxes, state operational reimbursement based on full-time equivalent enrollment, and tuition and fees collected from students. Expenditures are for contracted instruction services including instructors' and administrative salaries and benefits, supplies, administrative costs, plant operations and capital outlay.

The *Building Lease Fund* is used to record the revenues and expenditures relating to leasing office space to various agencies.

The *Federal Student Aid Fund* accounts for the administration of Federal Student Aid for all eligible students.

The *Grants Fund* accounts for the administration of Federal grants received by the college.

The *Scholarship Fund* accounts for the scholarships awarded to the College's students receiving scholarships from the Foundation.

The *Capital Projects Fund* accounts for the full faith and credit agreement obtained to purchase property in Hood River and complete site improvements as approved by the Board of Education in April 2013.

The *State Capital Projects Fund* accounts for State of Oregon capital construction and improvements projects.

The *District G.O. Bonds Fund* accounts for the accumulation of resources to pay the principal and interest on General Obligation Bonds, Series 2005 approved by district voters of Hood River and Wasco Counties. These bonds were refunded in March, 2012.

The *Pension Bond Debt Service Fund* is established to account for the accumulation of resources to pay the principal and interest on pension obligation bonds issued by the College in 2003 and is funded by a credit to the College's PERS employer rate beginning May 1, 2003.

The *College Bookstore Fund* is used to record revenues and expenditures relating to textbooks and supplies made available to the students. Revenues are text and supply sales. Expenditures are for purchases of resale items.

DESCRIPTION OF FUNDS (Continued)

The *Facilities and Grounds Maintenance Reserve Fund* was established to accumulate resources for financing facilities and ground maintenance.

The *General Operations Reserve Fund* was established to accumulate resources for future funding of general operations. Transfers are budgeted between the General Fund and the General Operations Reserve Fund to smooth the effects of the uneven community college support fund payments in each year of the biennium. The remaining balance is expected to be depleted in the following biennium.

The *Clubs Fund* accounts for the activities of the student-organized Environmental Club, PhiTheta Kappa, Student Council, Student Nurse Association, Delta Energy Club, and Multicultural Club.

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
State sources	$ 5,281,094	$ 5,281,094	$ 5,241,152	$ (39,942)
Local sources	1,090,563	1,090,563	1,061,146	(29,417)
Tuition	2,540,684	2,540,684	2,149,376	(391,308)
Instructional fees	589,250	589,250	565,789	(23,461)
Special fees	58,018	58,018	77,940	19,922
Other sources	124,647	127,789	69,053	(58,736)
Sales and services	8,001	8,001	2,563	(5,438)
TOTAL REVENUES	9,692,257	9,695,399	9,167,019	(528,380)
Instruction	3,479,582	3,479,582	3,332,703	146,879
Academic support	1,026,979	1,039,729	828,202	211,527
Student services	758,201	792,279	676,749	115,530
Institutional support	2,437,876	2,532,149	2,324,104	208,045
Financial aid	24,393	24,393	22,926	1,467
Plant operation and maintenance	956,823	966,823	892,740	74,083
Contingency	400,000	400,000	-	400,000
Debt service	36,822	36,822	36,822	-
Reserved for future expenditures	944,621	983,093	-	983,093
TOTAL EXPENDITURES	10,065,297	10,254,870	8,114,246	2,140,624
Excess of revenue over (under) expenditures	(373,040)	(559,471)	1,052,773	1,612,244
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	430,200	430,200	430,200	-
Transfer to other funds	(62,500)	(144,691)	(89,251)	55,440
TOTAL OTHER FINANCING SOURCES (USES)	367,700	285,509	340,949	55,440
Net change in fund balance	(5,340)	(273,962)	1,393,722	1,667,684
FUND BALANCE, beginning of year	554,000	554,000	819,512	265,512
FUND BALANCE, end of year	$ 548,660	$ 280,038	$ 2,213,234	$ 1,933,196

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

BUILDING LEASE FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Other sources	$ 183,793	$ 183,793	$ 199,105	$ 15,312
EXPENDITURES:				
Personnel services	24,285	24,285	31,583	(7,298)
Materials and services	39,045	39,045	22,076	16,969
TOTAL EXPENDITURES	63,330	63,330	53,659	9,671
Excess of revenue over (under) expenditures	120,463	120,463	145,446	24,983
OTHER FINANCING USE:				
Transfer to General Fund	(130,200)	(130,200)	(130,200)	-
Net change in fund balance	(9,737)	(9,737)	15,246	24,983
FUND BALANCE, beginning of year	44,777	44,777	61,770	16,993
FUND BALANCE, end of year	$ 35,040	$ 35,040	$ 77,016	$ 41,976

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL

FEDERAL STUDENT AID FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Federal sources	$ 3,675,500	$ 3,675,500	$ 2,570,764	$ (1,104,736)
EXPENDITURES:				
Personnel services	30,000	30,000	13,011	16,989
Grants and loans	3,668,000	3,668,000	2,571,926	1,096,074
TOTAL EXPENDITURES	3,698,000	3,698,000	2,584,937	1,113,063
Excess of revenue over (under) expenditures	(22,500)	(22,500)	(14,173)	(36,673)
OTHER FINANCING SOURCE:				
Transfer from General Fund	22,500	22,500	13,453	(9,047)
Net change in fund balance	-	-	(720)	(720)
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE (DEFICIT), end of year	$ -	$ -	$ (720)	$ (720)

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GRANTS FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Federal sources	$ 453,919	$ 453,919	$ 476,954	$ 23,035
State sources	504,633	562,325	457,038	(105,287)
Instructional fees	76,050	76,050	67,517	(8,533)
Other sources	296,960	436,261	77,857	(358,404)
TOTAL REVENUES	1,331,562	1,528,555	1,079,366	(449,189)
EXPENDITURES:				
Personnel services	637,834	807,205	547,358	259,847
Materials and services	828,137	909,212	399,509	509,703
Capital outlay	10,000	10,000	-	10,000
TOTAL EXPENDITURES	1,475,971	1,726,417	946,867	779,550
Excess of revenue over (under) expenditures	(144,409)	(197,862)	132,499	330,361
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	5,000	27,191	5,000	(22,191)
TOTAL OTHER FINANCING SOURCES (USES)	5,000	27,191	5,000	(22,191)
Net change in fund balance	(139,409)	(170,671)	137,499	308,170
FUND BALANCE, beginning of year	139,409	170,671	169,317	(1,354)
FUND BALANCE, end of year	$ -	$ -	$ 306,816	$ 306,816

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SCHOLARSHIP FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Other sources	$ 311,500	$ 314,000	$ 230,762	$ (83,238)
EXPENDITURES:				
Scholarships	346,500	409,000	301,795	107,205
OTHER FINANCING USE:				
Transfer from General Fund	35,000	95,000	70,798	(24,202)
Net change in fund balance	-	-	(235)	(235)
FUND BALANCE, beginning of year	-	-	5,408	5,408
FUND BALANCE, end of year	$ -	$ -	$ 5,173	$ 5,173

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Materials and services	$ 300,000	$ 138,248	$ 117,617	$ 20,631
Capital outlay	-	161,752	161,425	327
Debt service	87,000	87,000	87,000	-
TOTAL EXPENDITURES	387,000	387,000	366,042	20,958
Net change in fund balance	(387,000)	(387,000)	(366,042)	20,958
FUND BALANCE, beginning of year	645,787	645,787	645,787	-
FUND BALANCE, end of year	$ 258,787	$ 258,787	$ 279,745	$ 20,958

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL

STATE CAPITAL PROJECTS FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Other sources	$ 11,320	$ 11,320	$ -	$ (11,320)
EXPENDITURES:				
Materials and services	-	11,185	8,447	2,738
Capital outlay	11,320	135	-	135
TOTAL EXPENDITURES	11,320	11,320	8,447	2,873
Net change in fund balance	-	-	(8,447)	(8,447)
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE (DEFICIT), end of year	$ -	$ -	$ (8,447)	$ (8,447)

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DISTRICT G.O. BONDS FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Local sources	$ 1,271,325	$ 1,271,325	$ 1,425,676	$ 154,351
Other sources	-	-	5,306	5,306
TOTAL REVENUES	1,271,325	1,271,325	1,430,982	159,657
EXPENDITURES:				
Debt service	1,421,325	1,421,325	1,421,325	-
Net change in fund balance	(150,000)	(150,000)	9,657	159,657
FUND BALANCE, beginning of year	150,000	150,000	186,687	36,687
FUND BALANCE, end of year	$ -	$ -	$ 196,344	$ 196,344

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PENSION BOND DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Other sources	$ 226,020	$ 226,020	$ 204,338	$ (21,682)
EXPENDITURES:				
Debt service	302,720	302,720	302,719	1
Reserved for future expenditures	1,255,618	1,255,618	-	1,255,618
TOTAL EXPENDITURES	1,558,338	1,558,338	302,719	1,255,619
Net change in fund balance	(1,332,318)	(1,332,318)	(98,381)	1,233,937
FUND BALANCE, beginning of year	1,332,318	1,332,318	1,342,116	9,798
FUND BALANCE, end of year	$ -	$ -	$ 1,243,735	$ 1,243,735

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COLLEGE BOOKSTORE FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Textbook sales	$ 527,155	$ 527,155	$ 269,229	$ (257,926)
Bank card discount fees	(5,292)	(5,292)	(4,144)	1,148
Textbooks	(400,000)	(400,000)	(226,963)	173,037
Publishers credits	15,000	15,000	11,537	(3,463)
TOTAL REVENUES	136,863	136,863	49,659	(87,204)
EXPENDITURES:				
Personnel services	99,434	99,434	83,812	15,622
Materials and services	50,470	50,470	35,680	14,790
Reserved for future expenditures	298,391	298,391	-	298,391
TOTAL EXPENDITURES	448,295	448,295	119,492	328,803
Net change in fund balance	(311,432)	(311,432)	(69,833)	241,599
FUND BALANCE, beginning of year	311,432	311,432	275,179	(36,253)
FUND BALANCE, end of year	$ -	$ -	$ 205,346	$ 205,346

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FACILITIES AND GROUNDS MAINTENANCE RESERVE FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
EXPENDITURES:				
Materials and services	$ 70,000	$ 70,000	$ 63,307	$ 6,693
Capital outlay	122,460	122,460	122,460	-
TOTAL EXPENDITURES	192,460	192,460	185,767	6,693
OTHER FINANCING SOURCE:				
Transfer from General Fund	-	-	-	-
Net change in fund balance	(192,460)	(192,460)	(185,767)	6,693
FUND BALANCE, beginning of year	192,460	192,460	188,636	(3,824)
FUND BALANCE, end of year	$ -	$ -	$ 2,869	$ 2,869

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL OPERATIONS RESERVE FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
EXPENDITURES:				
Reserved for future expenditures	$ 159,331	$ 159,331	$ -	$ 159,331
OTHER FINANCING USE:				
Transfer to General Fund	300,000	300,000	300,000	-
Net change in fund balance	(459,331)	(459,331)	(300,000)	159,331
FUND BALANCE, beginning of year	459,331	459,331	459,331	-
FUND BALANCE, end of year	$ -	$ -	$ 159,331	$ 159,331

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CLUBS FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Membership dues	$ 3,100	$ 3,100	$ 1,550	$ (1,550)
Fundraising	4,500	4,500	5,684	1,184
TOTAL REVENUES	7,600	7,600	7,234	(366)
EXPENDITURES:				
Materials and services	9,407	9,407	5,779	3,628
Net change in fund balance	(1,807)	(1,807)	1,455	3,262
FUND BALANCE, beginning of year	1,807	1,807	2,253	446
FUND BALANCE, end of year	$ -	$ -	$ 3,708	$ 3,708

COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Education
Columbia Gorge Community College
The Dalles, Oregon

We have audited, 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, the basic financial statements of the Columbia Gorge Community College (the College) as of and for the year ended June 30, 2016, and have issued our report thereon dated December 21, 2016.

COMPLIANCE

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 grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

COMPLIANCE (Continued)

In connection with our testing, nothing came to our attention that caused us to believe the College was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

Expenditures exceeded appropriations in the following fund:

Building Lease Fund	
Personnel services	$7,298

Deficit fund balance in the following funds:

Federal Student Aid Fund	$ 720
State Capital Projects Fund	8,447

Under ORS 294.471(3)(b), when a supplemental budget changes estimated expenditures by less than 10%, then a notice of a regular meeting in which the changes will be considered, is required to be published prior to the meeting date. The College failed to publish notice of meeting dates related to three of four such supplemental budgets.

OAR 162-10-0230 INTERNAL CONTROL

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control. Deficiencies in internal control were communicated on pages 70-76.

RESTRICTIONS ON USE

This report is intended solely for the information and use of the Board of Education, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these specified parties.

Talbot, Korvola & Warwick, LLP

Lake Oswego, Oregon
December 21, 2016

SINGLE AUDIT COMPLIANCE

Talbot, Korvola
& Warwick, LLP

Certified Public Accountants
& Consultants

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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*

INDEPENDENT AUDITOR'S REPORT

Board of Education
Columbia Gorge Community College
The Dalles, Oregon

We have audited, in accordance with the 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, the financial statements of Columbia Gorge Community College (the College), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 21, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 and 2016-002 that we consider to be significant deficiencies.

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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

THE COLLEGE'S RESPONSE TO FINDINGS

The College's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Talbot, Korvola & Warwick, LLP

Lake Oswego, Oregon
December 21, 2016

TKW

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE <u>REQUIRED BY THE UNIFORM GUIDANCE</u>

INDEPENDENT AUDITOR'S REPORT

Board of Education
Columbia Gorge Community College
The Dalles, Oregon

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM

We have audited Columbia Gorge Community College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. 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.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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OTHER MATTERS

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-004, 2016-005, 2016-006 and 2016-007. Our opinion on each major federal program is not modified with respect to these matters.

The College's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-004, 2016-005, 2016-006 and 2016-007, that we consider to be significant deficiencies.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT (Continued)

REPORT ON INTERNAL CONTROL OVER COMPLIANCE (Continued)

The College's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Talbot, Korvola & Warwick, LLP

Lake Oswego, Oregon
December 21, 2016

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Cluster Pass-Through Grantor/Program Title	CFDA Number	Pass through Grantor's Number	Pass through to Subrecipients	Expenditures
U.S. DEPARTMENT OF EDUCATION:				
Direct:				
Higher Education_Institutional Aid	84.031	n/a	$ -	$ 111,098
Student Financial Assistance Cluster:				
Federal Direct Student Loans	84.268	n/a	-	1,179,891
Federal Pell Grant Program	84.063	n/a	-	1,349,735
Federal Supplemental Educational Opportunity Grants	84.007	n/a	-	31,725
Federal Work-Study Program	84.033	n/a	-	9,758
Total of Student Financial Assistance Cluster			-	2,571,109
Passed through State of Oregon - Department of Community Colleges & Workforce Development:				
Adult Education - Basic Grants to States	84.002	376.01	-	158,992
			-	158,992
Passed through Oregon Child Care Resource and Referral Network:				
Race to the Top - Early Learning Challenge	84.412	10436/148902	-	33,034
TOTAL U.S. DEPARTMENT OF EDUCATION			-	2,874,233
U.S. SMALL BUSINESS ADMINISTRATION:				
Passed through Lane Community College Small Business Development Center Network Office:				
Small Business Development Center	59.037	15-145	-	41,451
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			-	41,451
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through Oregon Child Care Resource and Referral Network:				
CCDF Cluster:				
Child Care and Development Block Grant	93.575	10436/148902	-	123,171
Total CCDF Cluster			-	123,171
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	123,171
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 3,038,855

See Notes to Schedule of Expenditures of Federal Awards

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Columbia Gorge Community College under programs of the federal government for the year ended June 30, 2016. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Reuglations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations for Columbia Gorge Community College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Columbia Gorge Community College.

NOTE 2 - BASIS OF ACCOUNTING

Expenditures reported on the SEFA are reprted on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Columbia Gorge Community College has a 15 percent indirect cost rate as assigned by Cost Allocation Services.

NOTE 3 - 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 1.

NOTE 4 - LOANS DISBURSED

Total disbursements for student loans through Columbia Gorge Community College which are guaranteed in the event of default are listed below:

Program Title	Federal CFDA Number		New Loans
Federal Direct Student Loans	84.268	$	1,179,891

NOTE 5 - INSTITUTIONAL CAPITAL CONTRIBUTIONS

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

Program Title	Federal CFDA Number		
Federal Supplemental Educational Opportunity Grants	84.007	$	10,575
Federal Work-Study Program	84.033		3,253
		$	13,828

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	Yes

Identification of major programs:

CFDA NUMBERS	NAME OF FEDERAL PROGRAM OR CLUSTER
84.268; 84.063; 84.007; 84.033	Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2016-001

Criteria:	The College should have a system of internal controls in place such that the final year-end audited financial statements are submitted to the Municipal Securities Rulemaking Board via uploading it to the Electronic Municipal Market Access System (EMMA) no more than 270 days after the end of the fiscal year.
Condition:	During our review of bonds payable, we noted that the College did not submit its June 30, 2015 audited financial statements to EMMA in a timely manner.
Context:	The College Chief Financial Officer (CFO) typically uploads the final audited financial statements to EMMA. The CFO departed the College in August 2016. The Controller was made aware that the final audited financial statements had not been uploaded as a result of our inquiry during the audit.
Effect:	Neglecting to upload the final audited financial statements to EMMA causes the College to be out of compliance with continuing reporting requirements.
Cause:	The lack of effective implementation of internal controls appears to be changes in personnel.
Recommendation:	We recommend management develop and implement policies and procedures to ascertain that the final year-end financial statements are uploaded to EMMA in a timely manner.
View of Responsible Official:	The College understands and concurs with the finding and recommendation.

Finding 2016-002

Criteria:	The College should have a system of internal controls in place such that the Schedule of Expenditures of Federal Awards (SEFA) is reviewed and compared to the general ledger for completeness and accuracy on an annual basis before being presented for audit.
Condition:	During our review of the preparation of the SEFA, we noted that there were several errors indicating there was not a sufficient review over the preparation of the SEFA.
Context:	The College reported approximately $3 million in expenditures of federal awards on their SEFA without a separate independent review.
Effect:	The SEFA has the potential to be materially misstated and any errors may not be prevented, or detected and corrected.
Cause:	The lack of effective implementation of internal controls appears to be changes in personnel.
Recommendation:	We recommend management develop and implement policies and procedures to provide for a review of the SEFA for completeness and accuracy independent of the preparation of the SEFA.
View of Responsible Official:	The College understands and concurs with the finding and recommendation.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding 2016-003 (repeat finding 2015-002 and 2014-009)

Federal Program:	CFDA No. 84.268; 84.063; 84.007; 84.033 Student Financial Assistance Cluster
Federal Agency:	U.S. Department of Education
Award Year:	2015-16
Criteria:	The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Under provisions of the Higher Education Act, the Department's regulations, and related guidance, schools are required to confirm and report the enrollment status of students who receive most types of Federal student aid, including aid from the Federal Pell Grant Program and the William D. Ford Federal Direct Loan (Direct Loan) Program. Schools are to report the enrollment status of students who received Title IV aid to National Student Loan Data System (NSLDS). This enrollment information is updated in NSLDS and, as appropriate, is reported to guarantors, lenders, and servicers of federal student loans (Direct Loan, 34 CFR section 685.309).
Condition:	The College lacks physical evidence of review over accurate and timely reporting of student enrollment changes to NSLDS.
Questioned Costs:	As this finding relates to the timely and accurate reporting of enrollment status, there are no amounts of questioned cost identified.
Context:	Changes to a student's enrollment status should be reported within 30 days of the change to NSLDS. It was noted that there were at least four months where there was no evidence documenting review to ensure timely reporting of student enrollment changes.
Effect:	Lack of sufficient documentation in support of effective internal controls could result in untimely reporting of student enrollment changes. A student's enrollment status determines eligibility for in-school status as well as deferment and grace periods for loans. Enrollment reporting is not only critical for effective administration of the Title IV student loan programs, but is also required so that the Department can engage in budgetary and policy analysis.
Cause:	The College implemented a corrective action plan in December 2014 in response to finding 2014-009. When the financial aid director position turned over in March 2015, the control was no longer performed. The College implemented corrective action in December 2015 in response to finding 2015-002. The control appears to have been implemented beginning in January 2016.
Recommendation:	We recommend management continue to enforce policies and procedures to provide for documentation supporting the effective review of borrower data transmission and reconciliation for direct loan programs under federal programs.
View of Responsible Official:	The College understands and concurs with the finding and recommendation.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding 2016-004

Federal Program:	CFDA No. 84.268; 84.063; 84.007; 84.033 Student Financial Assistance Cluster
Federal Agency:	U.S. Department of Education
Award Year:	2015-2016
Criteria:	The Compliance Supplement, Part 5 Section N.4 requires that institutions must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) education program from which the student withdrew (34 CFR section 668.22(j)). Institutions must determine the amount of Title IV aid earned by the student as of the withdrawal date.
Condition:	From a population of 87 Return to Title IV (R2T4) calculations, 10 were selected for testing. Three of the 10 tested calculations were found not to have been performed, and therefore were not performed timely upon correction. While testing, we noted 5 additional instances of noncompliance outside of the sample selected and were not tested as it was known that the calculations were not performed.
Questioned Costs:	There are no questioned costs noted as the withdrawal dates were determined, calculations were made, and R2T4 funds returned, outside of the 30 day requirement.
Context:	The College did not determine withdrawal dates and the amount of Title IV aid earned for all students who did not provide notification. Although the determinations were performed subsequent to auditor testing, the determinations did not happen within 30 days of the end of the period of enrollment (term) as required.
Effect:	Lack of timely determination of withdrawal date delays the calculation of funds to be netted against awards in reimbursement requests sent through the G5 system. If R2T4 is not calculated, it could result in errors involving cash receipts and disbursements going unresolved indefinitely. Transactions between the College and Department of Education, students and the Department of Education, and students and the College may be affected. The determination of the withdrawal date is the first step in calculating R2T4 funds, which may result in return of funds, charges to students, and holds on student accounts to prevent enrollment for future terms until charges are resolved.
Cause:	During the transition from the interim Financial Aid Specialist to the new Financial Aid Specialist, an oversight resulted in the determinations not being performed. The review process over R2T4 checks the accuracy of the calculation, but does not ensure that a calculation has been made for all withdrawn students.
Recommendation:	We recommend management perform the determination of withdrawal date for students who withdraw without providing notification to the College within 30 days of the end of each term. We recommend that a control is put into place to detect withdrawals for which determinations have not been made.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding 2016-004 (Continued)

View of Responsible Official: The College understands and concurs with the finding and recommendation.

Finding 2016-005

Federal Program: CFDA No. 84.268; 84.063; 84.007; 84.033 Student Financial Assistance Cluster

Federal Agency: U.S. Department of Education

Award Year: 2015-2016

Criteria: The Compliance Supplement, Part 5 Section N.2 requires that institutions must require each applicant whose application is selected by the Department of Education to verify the information required for the Verification Tracking Group to which the applicant is assigned.

Condition: From a population of 242 applicants selected for verification, 25 were selected for testing. One of the 25 tested verifications was found not to have been performed. The verification was performed after selection by the auditor, and did not result in funds returned to the Department of Education.

Questioned Costs: There are no questioned costs noted as the subsequently performed verification did not result in funds due to the Department of Education.

Context: The College did not perform verification for all students who were selected by the Department of Education subsequent to their financial aid disbursements. Although the verifications were performed for all students who were selected by Department of Education prior to financial aid disbursements, verifications must be performed whenever a student is selected by Department of Education.

Effect: Verification was found to have been performed when the applicant was selected prior to a Title IV disbursement. A student's application may be selected for verification after corrections are submitted and the student has been paid based on the previous unselected transaction. If verification does not justify aid already disbursed, then the student is responsible for repaying all aid for which he is not eligible, though the student may keep any Stafford Loan money received and FWS wages earned. If verification is not performed, it could result in errors involving cash receipts and disbursements going unresolved indefinitely. Transactions between the College and Department of Education, students and the Department of Education, and students and the College may be affected. The request for verification documentation is the first step in the verification process, which may result in return of funds, charges to students, and holds on student accounts to prevent enrollment for future terms until charges are resolved.

Cause: The control in place reviews the verification for accuracy and completeness, however does not ensure that all selected for verification are performed. It appears that this student was not selected for verification due to an oversight and error, which the control did not detect.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding 2016-005 (Continued)

Recommendation:	We recommend management perform verifications for all students selected by the Department of Education. We recommend that a control is put into place to detect verification selections from the Department of Education that have not been performed.
View of Responsible Official:	The College understands and concurs with the finding and recommendation.

Finding 2016-006

Federal Program:	CFDA No. 84.268; 84.063; 84.007; 84.033 Student Financial Assistance Cluster
Federal Agency:	U.S. Department of Education
Award Year:	2015-2016
Criteria:	The Compliance Supplement, Part 5 Section N.5 requires that institutions report accurate enrollment statuses to NSLDS. The 2015-2016 FSA Handbook specifies that all completed coursework counts towards enrollment status, including earned F's.
Condition:	From a population of 461 students who received Federal Financial Aid, 60 were selected for testing. Eight of the 60 were found to have been reported at a lower than appropriate enrollment level.
Questioned Costs:	As this finding relates to the timely and accurate reporting of enrollment status, there are no amounts of questioned costs identified.
Context:	The College reported decreases in enrollment status for students whose last dates of attendance in classes was after the 8th week of classes, or the "Last Day to Withdraw" date. These courses were deemed withdrawals in error. F's are earned when a student attends past the 8th week of classes per the College's Catalog.
Effect:	The inaccuracies found in the sample were all related to earned F's being reported as withdrawals from classes. As a result, the students were reported to NSLDS with a lower enrollment status than appropriate. Inaccurate enrollment reporting may result in in-school status, deferment, grace period, and interest subsidy changes.
Cause:	The control in place reviews the reporting for timeliness and number of records, agreeing the report to the College's computer program. The College's computer program used to determine which students had enrollment changes used logic that assumed any reporting of a Last Date of Attendance (LDA) indicated a Withdrawal. The individual who performs the NSLDS reporting function was not aware that earned F's counted towards enrollment status, therefore the reporting was not adjusted accordingly.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding 2016-006 (Continued)

Recommendation:	We recommend management not report F's as changes in enrollment status to NSLDS when the LDA is after the end of the 8th week of classes, or the "Last Day to Withdraw" date.
View of Responsible Official:	The College understands and concurs with the finding and recommendation.

Finding 2016-007

Federal Program:	CFDA No. 84.268; 84.063; 84.007; 84.033 Student Financial Assistance Cluster
Federal Agency:	U.S. Department of Education
Award Year:	2015-2016
Criteria:	The Compliance Supplement, Part 5 Section N.5 requires that institutions report accurate enrollment statuses to NSLDS.
Condition:	From a population of 461 students who received Federal Financial Aid, 60 were selected for testing. Four of the 60 were found to have enrollment status changes that had not been reported.
Questioned Costs:	As this finding relates to the accurate reporting of enrollment status, there are no amounts of questioned costs identified.
Context:	The College is not reporting all enrollment changes to NSLDS.
Effect:	In two instances, students graduated from programs but were not reported as graduated to NSLDS. In two instances, increases/decreases in enrollment level were not reported to NSLDS. Inaccurate enrollment reporting may result in in-school status, deferment, grace period, and interest subsidy changes.
Cause:	The cause appears to be a lack of control over enrollment reporting accuracy.
Recommendation:	We recommend management develop and implement policies and procedures to ensure all enrollment changes are reported to NSLDS.
Views of Responsible Official:	The College understands and concurs with the finding and recommendation.

Finding 2015-001

Audit Finding:	The College should consistently reconcile its accounts and sub-ledgers to the general ledger. We noted that the College has not reconciled its accounts receivable sub-ledgers to the control accounts in the general ledger for both student receivables and agency receivables for several years. In addition, there is a continuing off-setting variance between the two control accounts.
Corrective Action Taken:	The College has been reconciling its accounts receivable subsidiary ledgers to the general ledger since January 2016.

Finding 2015-002 (repeated as Finding 2016-003)

Federal Program:	CFDA No. 84.268; 84.063; 84.007; 84.033 Student Financial Assistance Cluster
Federal Agency:	U.S. Department of Education
Award Year:	2014-15
Criteria:	The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Under provisions of the Higher Education Act, the Department's regulations, and related guidance, schools are required to confirm and report the enrollment status of students who receive most types of Federal student aid, including aid from the Federal Pell Grant Program and the William D. Ford Federal Direct Loan (Direct Loan) Program. Schools are to report the enrollment status of students who received Title IV aid to National Student Loan Data System (NSLDS). This enrollment information is updated in NSLDS and, as appropriate, is reported to guarantors, lenders, and servicers of federal student loans (Direct Loan, 34 CFR section 685.309). A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to Federal Family Education Loan (FFEL) Program loan holders by the Department of Education. Enrollment reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.
Condition:	The College lacks physical evidence of review over accurate and timely reporting of student enrollment changes to NSLDS.
Questioned Costs:	As this finding relates to the timely and accurate reporting of enrollment status, there are no amounts of questioned cost identified.
Context:	Changes to a student's enrollment status should be reported within 30 days of the change to NSLDS. It was noted that none of the three months selected for testing had evidence documenting review to ensure timely reporting of student enrollment changes.

Finding 2015-002 (repeated as Finding 2016-003) (Continued)

Effect: Lack of sufficient documentation in support of effective internal controls could result in untimely reporting of student enrollment changes. A student's enrollment status determines eligibility for in-school status as well as deferment and grace periods for loans. Enrollment reporting is not only critical for effective administration of the Title IV student loan programs, but is also required so that the Department can engage in budgetary and policy analysis.

Cause: The College implemented a corrective action plan in December 2014 in response to finding 2014-009. When the financial aid director position turned over in March 2015, the control was no longer performed.

Recommendation: We recommend management re-implement policies and procedures to provide for documentation supporting the effective review of borrower data transmission and reconciliation for direct loan programs under federal programs.

Corrective Action Taken: The College implemented a corrective action plan in December 2014 in response to finding 2014-009. When the financial aid director position turned over in March 2015, the control was no longer performed. The College implemented corrective action in December 2015 in response to finding 2015-002. The control appears to have been implemented beginning in January 2016. See finding repeated at 2016-003.

Finding 2015-003

Audit Finding: The OMB Circular A-133, Part 5 Section N.8 requires that institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the COD within 30 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. Institutions are required to reconcile SAS data files to institution records each month. From a population of 12 reconciliations, four were selected for testing. Of those, three of the four reconciliations were found not to have been performed timely.

Corrective Action Taken: The Director of Financial Aid pulls monthly reports and signs the SAS reconciliation when complete. This matter is considered resolved.

Finding 2015-004

Audit Finding: Under 2 CFR Section 180.220, non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.21. The College entered into a contract exceeding $25,000 and was unable to provide documentation that the vendor had been reviewed for suspension and debarment.

Finding 2015-004 (Continued)

Corrective Action Taken:	The CFO reviewed procurements prior to the issuance of POs, and verified the vendor had not been suspended nor debarred during fiscal year 2016. The CFO left the College in early fiscal year 2017, and this responsibility has been moved to the Small Business Center Development Center Director. This matter is considered resolved.