

COLUMBIA GORGE COMMUNITY COLLEGE

Annual Financial Report

Year Ended June 30, 2015

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COLUMBIA GORGE COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

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COLUMBIA GORGE COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT

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Board of Education and Administrative Staff

Principal Officials
Columbia Gorge Community College
June 30, 2015

<u>Position #</u>	<u>Name</u>	<u>County</u>	<u>Term Ending</u>
1	M.D. Van Valkenburgh Board Member	Wasco	June 30, 2017
2	Dr. James R. Willcox Board Member	Wasco	June 30, 2017
3	Dave Fenwick, Vice-Chair Board Member	Hood River	June 30, 2015
4	Charlotte Arnold Board Member	Hood River	June 30, 2015
5	Dr. Ernie Keller, Chair Board Member	Wasco	June 30, 2017
6	Stu Watson Board Member	Hood River	June 30, 2015
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

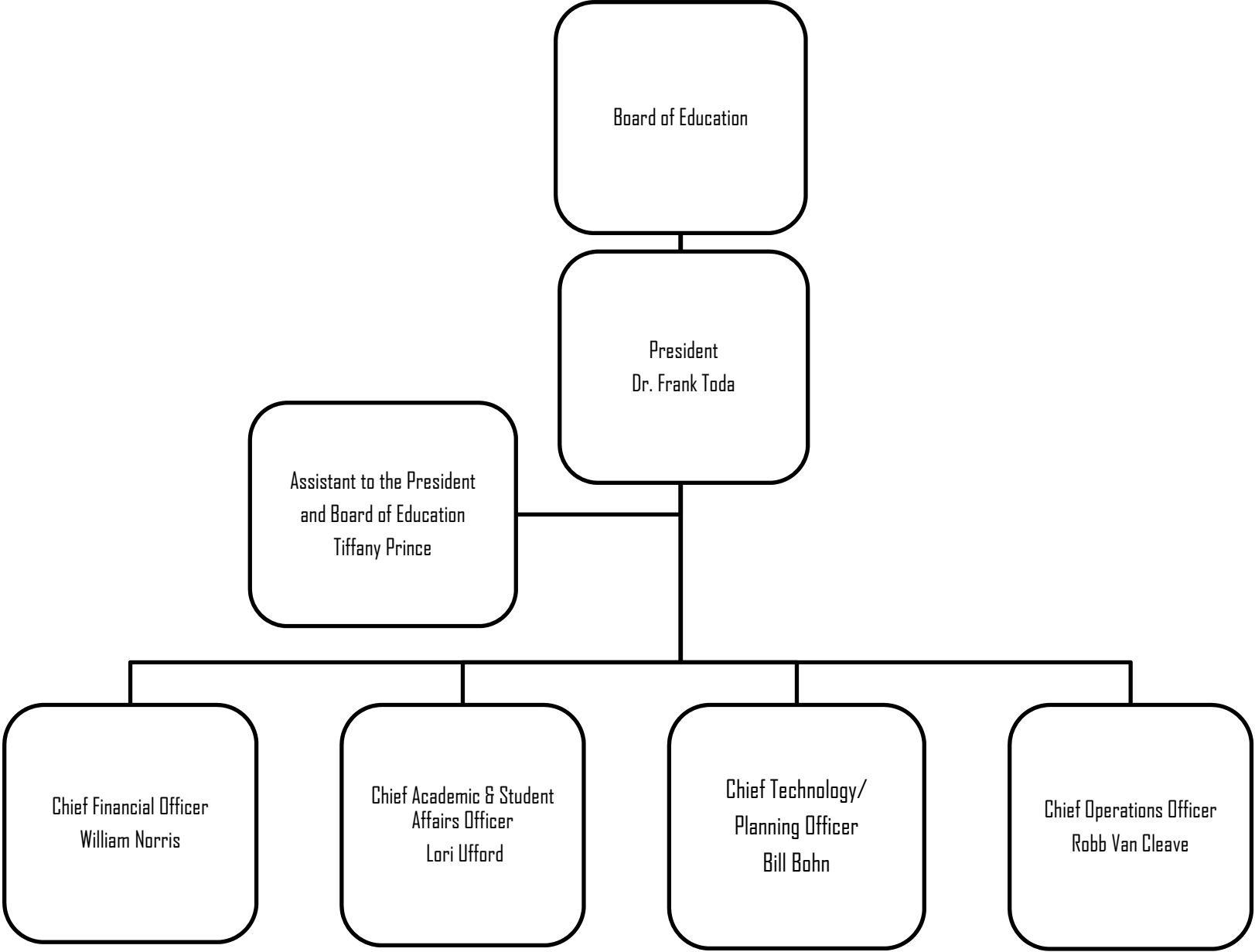
Lisa Deswert, Controller

William Norris, Chief Financial Officer

Lori Ufford, Chief Academic & Student Affairs Officer

Robb Van Cleave, Chief Operations Officer

=:



FINANCIAL SECTION



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

ACHIEVE MORE

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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, 2015, 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.

An Independently Owned Member
MCGLADREY ALLIANCE



McGladrey

INDEPENDENT AUDITOR'S REPORT (Continued)

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, 2015, 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.

EMPHASIS OF MATTERS

As discussed in Note 2 and Note 13 to the basic financial statements, the College adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, which resulted in the restatement of previously reported amounts for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

As discussed in the Note 8 to the basic financial statements, changes in benefit terms of the Oregon Public Employees Retirement System resulting from the April 30, 2015, Oregon Supreme Court decision are not reflected in the December 31, 2012 actuarial valuation used to measure pension amounts as of and for the fiscal year ended June 30, 2015.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Education
Columbia Gorge Community College

OTHER MATTERS

Other Information (Continued)

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.

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 January 19, 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 January 19, 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, Partner

Lake Oswego, Oregon
January 19, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

COLUMBIA GORGE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

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, 2015 and 2014.

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.

COLUMBIA GORGE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (Continued)

GASB Statement No. 68 was implemented during the fiscal year ended June 30, 2015, and improves accounting and financial reporting for pensions. The Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating transparency.

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 and deferred outflows (what it owns) and liabilities and deferred inflows (what it owes). The difference between total assets and deferred outflow of resources less total liabilities and deferred inflows 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, 2015 are described below.

- The college's financial position at June 30, 2015 consists of assets of \$36,293,678, deferred outflow of resources of \$1,553,109, liabilities of \$21,162,666, deferred inflow of resources of \$2,128,324, and net position of \$14,555,797, a decrease of \$286,974, 1.9% from the prior year, net of the restatements.
- Total assets decreased in 2015 by \$1,839,469 to \$36,293,678 primarily due to current spending activity.

COLUMBIA GORGE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2015

FINANCIAL HIGHLIGHTS (Continued)

- Total liabilities decreased in 2015 by \$3,756,909 to \$21,162,666 primarily due to recording the pre-SLGRP pooled liability offset by a shift in the net pension liability of \$2,483,206 to an asset and principal payments on bonds payable.
- Total net position decreased by \$286,974 to \$14,555,797, a decrease of 1.9% from the prior year. Unrestricted net deficit position increased by \$345,465 to \$(3,930,706) which is primarily due to current spending activity.
- Within net position, the investment in capital assets less any related outstanding debt used to acquire those assets increased by \$151,138 to \$16,311,909 in 2015. 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, 2015 and 2014:

	2015	2014 (as restated)	Increase/ (Decrease)	Change %
Current assets:				
Cash and cash equivalents	\$ 1,153,877	\$ 2,641,292	\$ (1,487,415)	(56.3) %
Investments	2,415,577	3,069,318	(653,741)	(21.3)
Other assets	1,286,564	1,223,147	63,417	5.2
Total current assets	4,856,018	6,933,757	(2,077,739)	(30.0)
Noncurrent assets:				
Net pension asset	1,102,990	-	1,102,990	100.0
Capital assets, net	30,334,670	31,199,390	(864,720)	(2.8)
Total noncurrent assets	31,437,660	31,199,390	238,270	0.8
Total assets	36,293,678	38,133,147	(1,839,469)	(4.8)
Deferred outflow of resources:				
Deferred charge on refunding	1,010,945	1,105,949	(95,004)	(8.6)
Deferred outflows - pension	542,164	523,250	18,914	3.6
Liabilities:				
Current liabilities	1,956,657	1,929,189	27,468	1.4
Noncurrent liabilities	19,206,009	22,990,386	(3,784,377)	(16.5)
Total liabilities	21,162,666	24,919,575	(3,756,909)	(15.1)
Deferred inflows - pension	2,128,324	-	2,128,324	100.0
Net position:				
Net investment in capital assets	16,311,909	16,160,171	151,738	0.9
Restricted for:				
Debt service	1,528,807	1,618,116	(89,309)	(5.5)
Capital projects	645,787	649,725	(3,938)	(0.6)
Unrestricted	(3,930,706)	(3,585,241)	(345,465)	9.6
Total net position	\$ 14,555,797	\$ 14,842,771	\$ (286,974)	(1.9)

COLUMBIA GORGE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2015

CONDENSED FINANCIAL INFORMATION AND ANALYSIS (Continued)

Current Assets

Current assets of \$4,856,018 were more than sufficient to cover current liabilities of \$1,956,657. This represents a current ratio of 2.5 as compared to 3.6 in the prior year. Cash and cash equivalents decreased by \$1,487,415 to \$1,153,877 as compared to \$2,641,292 in the prior year due to cash of \$7,027,516 provided by noncapital financing activities, offset in part by operating and investing cash flows.

Noncurrent Assets

The college's capital assets decreased by \$864,720 to \$30,334,670 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 Outflow of Resources

The decrease in the deferred charge for refunding is due to the amortization over the remaining life of the debt instrument. Additionally, deferred outflows related to pensions is contributions subsequent to measurement date.

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 \$27,468 to \$1,956,657. Unearned revenue from tuition and fees decreased by \$50,832 to \$241,633 because of a reduced number of students enrolled for summer term.

Noncurrent Liabilities

Noncurrent liabilities consists of other postemployment benefit obligation, pre-SLGRP pooled liability, deferred accrued bond interest and bonds payable less the current portions of specific obligations. Noncurrent liabilities decreased by \$3,784,377 to \$19,206,009 due primarily to principal payments on bonds payable and the swing in the net pension liability of \$2,483,206 to an asset.

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

Net Position

Total net position decreased by \$286,974 to \$14,555,797, a decrease of 1.9% from the prior year. Within net position, the net investment in capital assets is \$16,311,909, an increase of \$157,738 as compared to the prior year primarily due to principal payments on bonds payable exceeding annual depreciation charges. Restricted net position decreased by \$93,247 to \$2,174,594. Unrestricted net deficit position increased by \$345,465 to \$(3,930,706).

COLUMBIA GORGE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2015

CONDENSED FINANCIAL INFORMATION AND ANALYSIS (Continued)

Revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>Change %</u>
Operating revenues:				
Tuition and fees, net	\$ 2,239,935	\$ 2,362,370	\$ (122,435)	(5.2) %
Grants	2,658,368	3,305,136	(646,768)	(19.6)
Other operating revenue	<u>638,692</u>	<u>674,245</u>	<u>(35,553)</u>	<u>(5.3)</u>
Total operating revenues	<u>5,536,995</u>	<u>6,341,751</u>	<u>(804,756)</u>	<u>(12.7)</u>
Operating expenses:				
Instruction	3,590,443	3,931,834	(341,391)	(8.7)
Public services	127,513	279,794	(152,281)	(54.4)
Academic support	726,914	919,018	(192,104)	(20.9)
Student services	1,044,145	1,333,831	(289,686)	(21.7)
Institutional support	2,492,920	3,426,405	(933,485)	(27.2)
Plant operations	940,748	1,156,633	(215,885)	(18.7)
Depreciation	973,663	989,068	(15,405)	(1.6)
Scholarships	2,335,590	2,951,350	(615,760)	(20.9)
Auxiliary enterprises	<u>300,448</u>	<u>352,470</u>	<u>(52,022)</u>	<u>(14.8)</u>
Total operating expenses	<u>12,532,384</u>	<u>15,340,403</u>	<u>(2,808,019)</u>	<u>(18.3)</u>
Operating loss	<u>(6,995,389)</u>	<u>(8,998,652)</u>	<u>2,003,263</u>	<u>(22.3)</u>
Nonoperating revenues (expenses):				
State support	3,006,924	4,737,108	(1,730,184)	(36.5)
Property taxes	2,499,524	2,408,889	90,635	3.8
Grants	1,603,708	1,806,940	(203,232)	(11.2)
Other nonoperating revenue	294,871	375,218	(80,347)	(21.4)
Other nonoperating expenses	<u>(696,612)</u>	<u>(792,095)</u>	<u>95,483</u>	<u>(12.1)</u>
Total nonoperating revenues (expenses)	<u>6,708,415</u>	<u>8,536,060</u>	<u>(1,827,645)</u>	<u>(21.4)</u>
Increase (decrease) in net position	<u>(286,974)</u>	<u>(462,592)</u>	<u>175,618</u>	<u>(38.0)</u>
Net position, beginning of year as reported	14,842,771	21,021,469	(6,178,698)	(29.4)
Restatement	<u>-</u>	<u>(5,716,106)</u>	<u>5,716,106</u>	<u>(100.0)</u>
Net position, beginning of year as restated	<u>14,842,771</u>	<u>15,305,363</u>	<u>(462,592)</u>	<u>(3.0)</u>
Net position, end of year	<u>\$ 14,555,797</u>	<u>\$ 14,842,771</u>	<u>\$ (286,974)</u>	<u>(1.9) %</u>

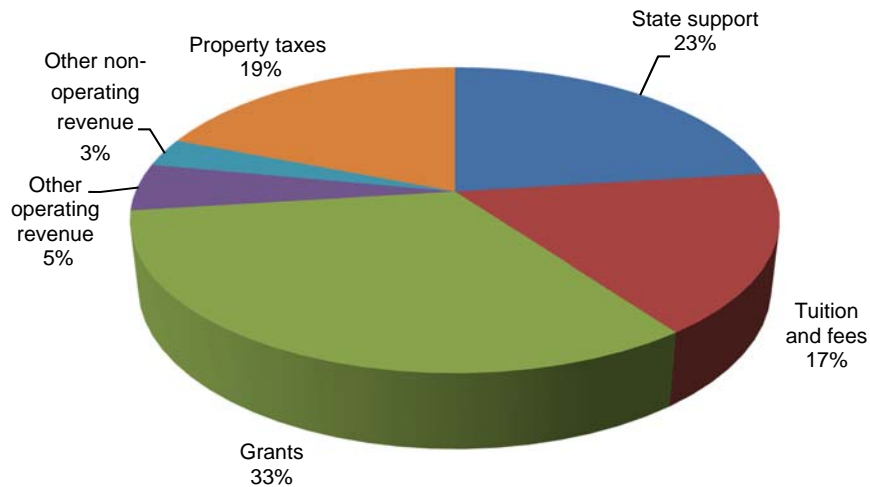
COLUMBIA GORGE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEAR ENDED JUNE 30, 2015

CONDENSED FINANCIAL INFORMATION AND ANALYSIS (Continued)

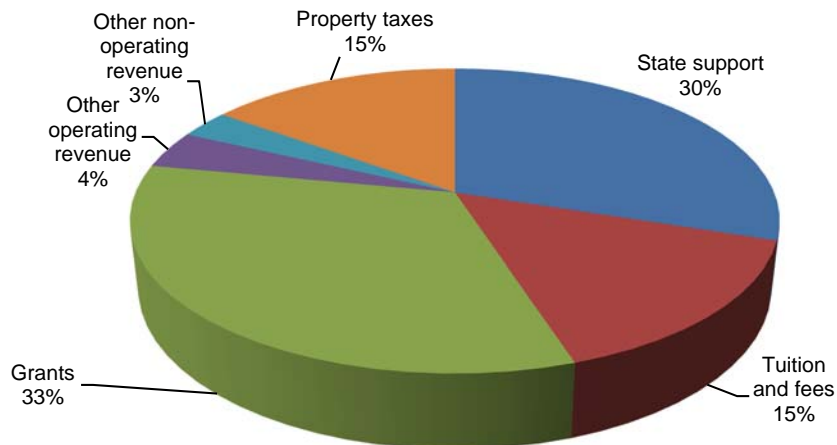
Revenues

The following graphs show the allocation of revenues for fiscal years 2015 and 2014.

2015 Operating and Nonoperating Revenues



2014 Operating and Nonoperating Revenues



COLUMBIA GORGE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2015

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 12.7% as compared to 2014.

Tuition and fees, which include all amounts paid for educational purposes, decreased 5.2% by \$122,435 to \$2,239,935, which represents 17% of total revenue. Operating revenue from federal, state and local grants decreased by 19.6% or \$646,768 to \$2,658,368 due to less awards from Federal Student Aid than in the previous year.

Nonoperating Revenues

Net nonoperating revenues decreased overall by \$1,827,645 to \$6,708,415. 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 23% of total revenue. State Community College Support revenue decreased by 36.5% to \$3,006,924 primarily due to receiving three payments in 2015 versus five in 2014 which is consistent with this being the second 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 increased by 3.8% to \$2,499,524 and represents 19% of total revenue. Of the property taxes received, approximately 58% is attributed to general obligation bond levies and 42% is from the permanent operating levy rate of \$0.2703 per thousand.

COLUMBIA GORGE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

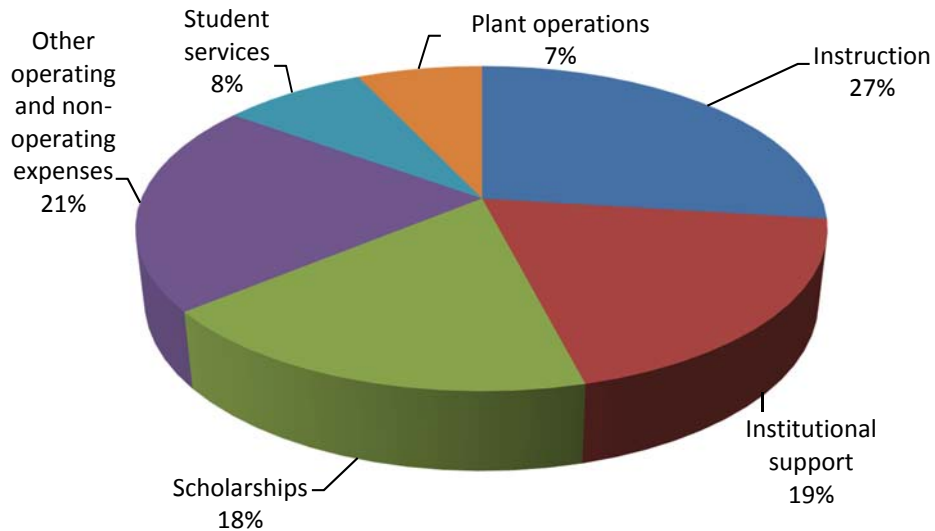
YEAR ENDED JUNE 30, 2015

CONDENSED FINANCIAL INFORMATION AND ANALYSIS (Continued)

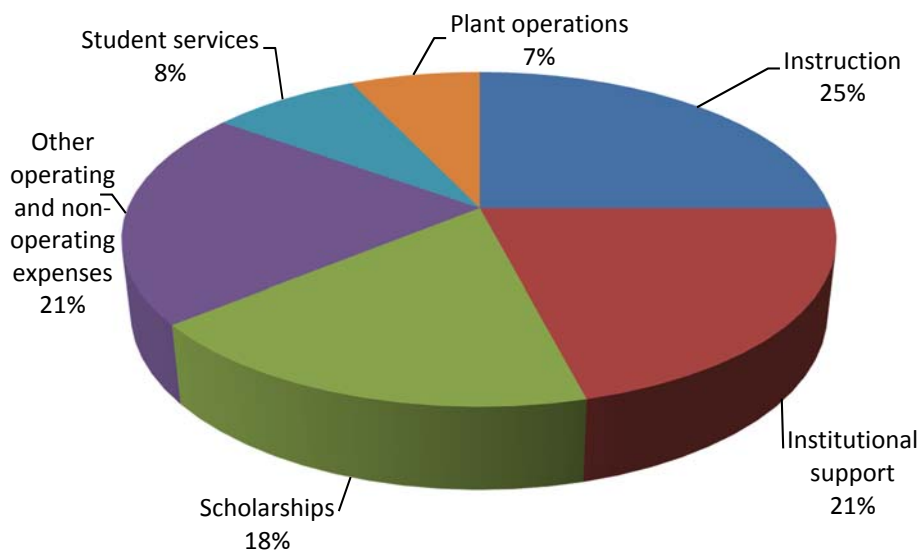
Expenses

The following graphs show the allocation of expenses for the college by functional classification for fiscal years 2015 and 2014:

2015 Operating and Nonoperating Expenses



2014 Operating and Nonoperating Expenses



COLUMBIA GORGE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2015

CONDENSED FINANCIAL INFORMATION AND ANALYSIS (Continued)

Operating Expenses

Operating expenses decreased by 18.3% to \$12,532,384. Instruction expenses are the largest percentage of total expenses at 27% for a total of \$3,590,443. Scholarships distributed as Financial Aid decreased by 20.9% to \$2,335,590 as compared to the prior year and accounts for 18% of total expenses. Institutional support decreased by 27.2% to \$2,492,920 or 19% of total expenses. Plant operations decreased by 18.7% to \$940,748 or 7% of total expenses. Academic support decreased by 20.9% to \$726,914 or 5% of total expenses. Student services expense decreased by 21.7% to \$1,044,145 and represents 8% of total expenses. Depreciation decreased 1.6% to \$973,663 or 7% of total expenses.

Nonoperating Expenses

The largest nonoperating expense was interest on debt of \$696,612 and represents 5% of total expenses.

COLUMBIA GORGE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2015

CONDENSED FINANCIAL INFORMATION AND ANALYSIS (Continued)

The following table shows the statements of cash flows at June 30, 2015 and 2014:

	2015	2014	Increase/ (Decrease) in Cash	Change %
Cash flows from operating activities:				
Cash received from tuition and fees	\$ 2,247,608	\$ 2,277,209	\$ (29,601)	(1.3) %
Cash received from grants	2,597,770	3,357,548	(759,778)	(22.6)
Other operating revenue	576,242	813,855	(237,613)	(29.2)
Cash paid for operating activities	(13,026,517)	(14,552,891)	1,526,374	(10.5)
Net cash flows from operating activities	(7,604,897)	(8,104,279)	499,382	(6.2)
Cash flows from noncapital financing activities:				
Cash received from state support	3,006,924	4,737,108	(1,730,184)	(36.5)
Cash received from property taxes	2,528,062	2,441,783	86,279	3.5
Cash received from grants	1,603,708	1,806,940	(203,232)	(11.2)
Other cash received from noncapital financing activities	243,674	298,881	(55,207)	(18.5)
Other cash paid from noncapital financing activities	(327,524)	(272,718)	(54,806)	20.1
Total cash flows from noncapital financing activities	7,054,844	9,011,994	(1,957,150)	(21.7)
Cash flows from capital financing activities:				
Acquisition of capital assets	(117,735)	(418,766)	301,031	(71.9)
Principal paid on long-term debt	(1,035,000)	(951,000)	(84,000)	8.8
Interest paid on long-term debt	(489,565)	(513,142)	23,577	(4.6)
Net cash flows from capital financing activities	(1,642,300)	(1,882,908)	240,608	(12.8)
Cash flows from investing activities:				
Net change in investments	653,741	90,402	563,339	623.1
Earnings on investments	51,197	76,336	(25,139)	(32.9)
Net cash flows from investing activities	704,938	166,738	538,200	322.8
Increase (decrease) in cash and cash equivalents	(1,487,415)	(808,455)	(678,960)	84.0
Cash and cash equivalents, beginning of year	2,641,292	3,449,747	(808,455)	(23.4)
Cash and cash equivalents, end of year	\$ 1,153,877	\$ 2,641,292	\$ (1,487,415)	(56.3) %

COLUMBIA GORGE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2015

CONDENSED FINANCIAL INFORMATION AND ANALYSIS (Continued)

Operating Activities

The college's major sources of cash included in operating activities were tuition and fees of \$2,247,608, and grants of \$2,597,770. Major operating uses of cash were payments to employees and suppliers, as well as for student financial aid, totaling \$13,026,517. The college used 6.2% or \$499,382 less in cash in its operating activities than in the prior year, due to a decrease in cash from grants and contracts of \$759,778 primarily from Federal Student Aid, a decrease in cash from other operating revenue of \$237,613, and a decrease in cash paid for operating activities of \$1,526,374.

Noncapital Financing Activities

State appropriations and property taxes are the primary sources of noncapital financing activities. Cash provided from noncapital financing activities totaled \$7,054,844 primarily from cash received from state FTE reimbursement of \$3,006,924, cash from property taxes of \$2,528,062, and cash received for Pell grants of \$1,603,708. 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 decreased 21.7% or \$1,957,150 over the prior year. Cash received from state appropriations decreased by \$1,730,184 due to receiving three payments versus only five in the prior year which is consistent with this being the second year of the biennium. Property taxes increased by \$86,279. Other nonoperating income decreased by \$110,013.

Capital Financing Activities

The capital financing uses of cash were the acquisition of capital assets of \$117,735, principal payments of \$1,035,000 and interest payments of \$489,565. The net cash used by capital financing activities decreased by \$240,608 or 12.8%. Purchases of capital assets decreased by \$301,031 compared to the prior year. Principal paid on long-term debt increased by \$84,000. Interest paid on long-term debt decreased by \$23,577.

Investing Activities

Investing activities provided \$704,938 in net cash, resulting from earnings on investments of \$51,197, and the net change in investments of \$653,741.

Cash provided from earnings on investments decreased by \$25,139 to \$51,197 as a result of investment activities. Net change in investments provided \$653,741 of cash as compared to providing \$90,402 of cash in the prior year.

COLUMBIA GORGE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The college's investment in capital assets as of June 30, 2015, amounts to \$30,334,670 net of accumulated depreciation. Investment in 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, 2015, the college had total debt outstanding of \$19,041,395, including series 2012 bond premium of \$855,493. Of this amount, \$13,485,000 is the outstanding general obligation bond series 2012 refunding; \$3,361,902 is the outstanding pension obligation bond series 2003 including both the current and deferred interest balances, and \$1,339,000 is the outstanding full faith and credit financing agreement. Total debt outstanding was reduced by \$1,210,677 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

Measured revenue growth is anticipated in the near term as the regional economy continues to improve. The college's three primary sources of income are student tuition and fees, State of Oregon Community College Support Fund appropriations, and property taxes. Each funding source fluctuates with the condition of the economy. Enrollment typically falls during periods of economic expansion when fewer displaced workers are in need of professional retraining. The lost revenue from lower enrollment is partially replaced by larger state appropriations and property tax.

The countercyclical nature of tuition and fee revenue to the college's other major revenue sources contributes to the college's overall financial stability. College enrollment during the height of the last recession was 1,270 full-time equivalent students. College enrollment has since followed state-wide patterns, declining roughly 25% to 964 full-time equivalent students in the last full academic year. College revenues have remained relatively stable through the high volatility in enrollment, declining less than 6% from recession era peaks to the most recent full fiscal year. The counter-balancing relationship between tuition and fee revenue and the college's other major revenue sources is expected to continue for the foreseeable future.

State Appropriations

The State of Oregon Community College Support Fund (CCSF) receives appropriations from the State General Fund. CCSF revenues are the college's largest revenue source. CCSF appropriations grew moderately in the current biennium, reversing previous recession era declines. Personal income tax is the largest discretionary revenue source for the State of Oregon. Consequently, State of Oregon General Fund resources have grown significantly during this latest recovery. The December 2015 Oregon Economic and Revenue Forecast issued by the State of Oregon Department of Administrative Services anticipates Net State General Fund Resources to increase 12.2% in the 2017-19 biennium.

COLUMBIA GORGE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS (Continued)

Currently at \$550 Million, the 2015-17 CCSF was larger than the last highest CCSF appropriation of \$500 Million in the 2007-09 State of Oregon Biennial Budget. While state appropriations have grown in nominal dollars, the proportion of state resources dedicated to community colleges continues to remain stagnant. The 2015-17 legislatively adopted budget dedicated 2.9% of General Fund resources to the CCSF. This compares with 4.4% in the 2007-09 biennium, which was the last pre-recession state budget. Nationwide studies of higher education spending consistently rank Oregon near the bottom of all states in per pupil spending.

Relatively low community college appropriations to-date when compared to historical Oregon spending and spending in other U.S. states, combined with strong future revenue forecasts, indicate that state resources for community colleges will likely continue to increase in the mid-term.

Tuition and Fees

The largest source of college operating revenues are direct student charges. Student revenue varies directly with enrollment. Tuition and fee revenue peaked at 44% of the college's structural operating revenues in the Fiscal Year 2011-12. In the most recent fiscal year, the proportion has fallen to 37%. This continues to be a larger proportion of the college's operating budget than before the last recession when tuition and fee revenue was less than 30% of total operating revenues. The college has generally set tuition and fee rates at or near state-wide averages and will likely continue to do so.

After several years of economic recovery and declining unemployment rates, Oregon community college enrollment is likely at or near its trough. Since World War II, there has been at least one recession every decade. The current economic expansion will likely continue for at least the near term, contributing to stagnant enrollment levels. Over the mid to long-term, significant enrollment increases are anticipated as the college's district population continues to grow faster than state-wide averages.

Property Tax

Tax revenues are significant in the college's mix of revenue sources. The college receives the lowest property tax support per student of any Oregon community college. This is due to the college's district low permanent tax rate and relatively low property values compared to colleges in urban areas.

Similarly to state appropriations, variation in tax revenues are countercyclical to tuition and fee revenue. Growth in tax revenue is anticipated to outpace historical averages over the next one to two years due to the recent recovery in the housing market. The college's district spans two Oregon counties, Wasco and Hood River. The largest population base and majority of tax revenue has been generated from Wasco County in the past. Rapid increases in the Hood River housing market may reverse this pattern. It's anticipated that in this next fiscal year the majority of property tax revenue will be generated from Hood River County for the first time in the history of the college.

COLUMBIA GORGE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2015

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:

Chief Financial Officer
Columbia Gorge Community College
400 East Scenic Drive
The Dalles, OR 97058

BASIC FINANCIAL STATEMENTS

COLUMBIA GORGE COMMUNITY COLLEGE

STATEMENT OF NET POSITION

JUNE 30, 2015

ASSETS:

Cash and cash equivalents	\$ 1,153,877
Investments	2,415,577
Receivables, net of allowance for doubtful accounts of \$334,183	1,031,117
Inventories and other current assets	<u>255,447</u>
Current assets	<u>4,856,018</u>
Net pension asset	1,102,990
Capital assets, net	<u>30,334,670</u>
Noncurrent assets	<u>31,437,660</u>
Total assets	<u>36,293,678</u>

DEFERRED OUTFLOWS OF RESOURCES:

Deferred charge on refunding	1,010,945
Deferred outflows - pension	<u>542,164</u>
	<u>1,553,109</u>

LIABILITIES:

Accounts payable	99,705
Accrued payroll and taxes	417,511
Unearned revenue	241,633
Bonds payable	<u>1,197,808</u>
Current liabilities	<u>1,956,657</u>
Other postemployment benefit obligation	383,506
Pre-SLGRP pooled liability	978,916
Bonds payable, net current portion	<u>17,843,587</u>
Noncurrent liabilities	<u>19,206,009</u>
Total liabilities	<u>21,162,666</u>

DEFERRED INFLOWS OF RESOURCES - PENSION

2,128,324

NET POSITION:

Net investment in capital assets	16,311,909
Restricted for:	
Debt service	1,528,807
Capital projects	645,787
Unrestricted	<u>(3,930,706)</u>
TOTAL NET POSITION	<u><u>\$ 14,555,797</u></u>

See notes to basic financial statements.

COLUMBIA GORGE COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2015

OPERATING REVENUES:

Tuition and fees, net	\$ 2,239,935
Grants:	
Federal	2,050,208
State and local	608,160
Auxiliary enterprises	311,510
Other	<u>327,182</u>
Total operating revenues	<u>5,536,995</u>

OPERATING EXPENSES:

Instruction	3,590,443
Public service	127,513
Academic support	726,914
Student services	1,044,145
Institutional support	2,492,920
Scholarships	2,335,590
Plant operations	940,748
Auxiliary enterprises	300,448
Depreciation	<u>973,663</u>
Total operating expenses	<u>12,532,384</u>

OPERATING LOSS

(6,995,389)

NONOPERATING REVENUES (EXPENSES):

State support	3,006,924
Property taxes	2,499,524
Grants	1,603,708
Interest income	51,197
Lease income	176,825
Interest expense	(696,612)
Other	<u>66,849</u>
Total nonoperating revenues (expenses)	<u>6,708,415</u>

DECREASE IN NET POSITION

(286,974)

BEGINNING NET POSITION, as originally reported

20,558,877

RESTATEMENT

(5,716,106)

BEGINNING NET POSITION, as restated

14,842,771

ENDING NET POSITION

\$ 14,555,797

See notes to basic financial statements.

COLUMBIA GORGE COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$ 2,247,608
Grants	2,597,770
Auxiliary enterprise charges	241,712
Other	429,534
Payments to employees	(8,049,575)
Payments to suppliers	(2,481,142)
Financial aid and scholarships	(2,495,800)
Net cash flows from operating activities	<u>(7,509,893)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State support	3,006,924
Property taxes	2,528,062
Grants	1,603,708
Leases and other	243,674
Principal paid on Pre-SLGRP liability	(48,682)
Principal paid on noncapital debt, net	(86,399)
Interest paid on noncapital debt	(192,443)
Net cash flows from noncapital financing activities	<u>7,054,844</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	(117,735)
Principal paid on capital debt	(1,035,000)
Interest paid on capital debt	(584,569)
Net cash flows from capital and related financing activities	<u>(1,737,304)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net change in investments	653,741
Interest income	51,197
Net cash flows from investing activities	<u>704,938</u>

DECREASE IN CASH AND CASH EQUIVALENTS

(1,487,415)

BEGINNING CASH AND CASH EQUIVALENTS

2,641,292

ENDING CASH AND CASH EQUIVALENTS

\$ 1,153,877

RECONCILIATION OF OPERATING LOSS TO NET

CASH FLOW FROM OPERATING ACTIVITIES:

Operating loss	\$ (6,995,389)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	1,068,667
Loss on disposal	8,792
Net pension expense	(1,476,786)
Changes in assets and liabilities:	
Receivables	(73,335)
Inventories and other current assets	(18,620)
Accounts payable	56,999
Accrued payroll and taxes	(46,230)
Unearned revenue	(50,832)
Other postemployment benefit obligation	16,841
Net cash flows from operating activities	<u><u>\$ (7,509,893)</u></u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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 of the State Board of Education through the Department of Community Colleges and Workforce Development.

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*

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

New Accounting Standards Implemented

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), establishes accounting and disclosure requirements for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific accounts impacting the college are detailed below.

Net Pension Liability - Previous standards defined pension liabilities in terms of the Annually Required Contribution. GASB 68 defines the net pension liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan’s fiduciary net position.

Deferred Inflows of Resources and Deferred Outflows of Resources - GASB 68 includes recognition of deferred inflows and outflows of resources associated with differences between expected and actual results. The difference between expected and actual experience with regard to changes in the college’s proportionate share of net pension liability since the prior measurement date, economic or demographic factors in the measurement of the total pension liability and changes in assumptions about future economic or demographic factors or other inputs are to be recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees covered by the plan. The difference between projected and actual earnings on pension plan investments are to be recognized in pension expense using a systematic and rational method over a closed five-year period.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB 68 requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

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.

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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.

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, 2015, 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.

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables (Continued)

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

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.

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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

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.

Pensions

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.

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.

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between the college's total assets and deferred outflow 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.

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

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 \$881,162 for the year ended June 30, 2015. 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, 2015:

Cash and cash equivalents:	
Cash on hand	\$ 6,787
Deposits with financial institutions	632,499
Brokerage cash account	3,273
Cash with county assessors	27,322
Oregon Local Government Investment Pool	483,981
Cash with PERS Obligation Bond paying agent	15
Total cash and cash equivalents	<u>1,153,877</u>
Investments:	
Government and agency securities	2,169,702
Corporate bonds	245,875
Total investments	<u>2,415,577</u>
Total cash and investments	<u><u>\$ 3,569,454</u></u>

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

3. CASH AND INVESTMENTS (Continued)

Deposits with Financial Institutions – On June 30, 2015, the college held \$632,499 book balance in demand deposits with a bank balance of \$703,630. 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, 2015, \$304,529 was covered by FDIC insurance and \$399,101 were collateralized under the PFCP.

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, 2015, the college held \$3,273 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 Oregon Local Government Investment Pool 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. The OSTF does not receive credit quality ratings from nationally recognized statistical rating organizations.

Interest Rate Risk - LGIP – Interest rate risk is the risk that changes in the interest rates will adversely affect fair value. The OSTF manages this risk by limiting the maturity of the investments held by the fund.

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.

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

3. CASH AND INVESTMENTS (Continued)

Investments (Continued) – 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.

The LGIP is unrated. Other investments held at June 30, 2015, are categorized by rating as follows:

Investments categorized by Moody's ratings:	
Government sponsored (U.S. Treasury and Federal Agencies) (AAA)	\$ 331,499
Government sponsored (U.S. Treasury and Federal Agencies) (AA1, AA2, AA+)	202,554
Corporate bonds (AA1, AA2, AA+)	107,781
Corporate bonds (A1)	138,094
Total investments categorized by Moody's ratings	<u>779,928</u>
Unrated government securities	<u>1,635,649</u>
Total investments	<u><u>\$ 2,415,577</u></u>

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, 2015, the college did not hold any individual non-federal investments that exceeded 5%.

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, 2015, the total investments held in custody were \$2,415,577.

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, 2015
30 days	3 %
90 days	11
180 days	28
One year	82
18 months	100

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

4. RECEIVABLES

Receivables at June 30, 2015, consist of:

Student	\$ 627,028
Grants	554,059
Property taxes	177,003
Other	7,210
	<u>1,365,300</u>
Allowance for doubtful accounts	<u>(334,183)</u>
	<u><u>\$ 1,031,117</u></u>

5. CAPITAL ASSETS

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

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 2,310,510	\$ -	\$ -	\$ 2,310,510
Capital assets being depreciated:				
Buildings and improvements	34,245,432	7,019	-	34,252,451
Furniture, equipment, and machinery	2,016,667	110,716	(9,638)	2,117,745
Total capital assets being depreciated	36,262,099	117,735	(9,638)	36,370,196
Total capital assets	38,572,609	117,735	(9,638)	38,680,706
Less accumulated depreciation for:				
Buildings and improvements	(6,377,174)	(800,878)	86	(7,177,966)
Furniture, equipment, and machinery	(996,045)	(172,785)	760	(1,168,070)
Total accumulated depreciation	(7,373,219)	(973,663)	846	(8,346,036)
Total capital assets being depreciated, net	28,888,880	(855,928)	(8,792)	28,024,160
Total capital assets, net	\$ 31,199,390	\$ (855,928)	\$ (8,792)	\$ 30,334,670

The college, as lessor, leases a portion of its buildings totaling \$4,462,676 with accumulated depreciation of \$1,013,027 as of June 30, 2015. See Note 11 for further information.

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

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, 2015, the college reported a liability of \$978,916 for its proportionate share of the pre-SLGRP liability. Annual debt service to maturity is based on the assumed interest rate, currently 7.5% and the rate charged by OPERS, which will be 1.85% of covered payroll for the years ending June 30, 2016 and 2017.

7. BONDS PAYABLE

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

	Original Amount	Outstanding June 30, 2014	Increases	Decreases	Outstanding June 30, 2015	Due within one year
<u>General Obligation Bonds:</u>						
<u>Series 2005, interest rates 3.75-4.0%</u>						
Principal	\$ 2,855,000	\$ 810,000	\$ -	\$ (810,000)	\$ -	\$ -
<u>Refunding Bonds, Series 2012, interest rates 2.0-5.0%</u>						
Principal	13,790,000	13,625,000	-	(140,000)	13,485,000	1,015,000
Bond premium	1,125,553	935,893	-	(80,400)	855,493	-
<u>Pension Obligation Bond</u>						
Series 2003 original issue - current	3,570,327	2,663,920	-	(95,277)	2,568,643	95,808
Series 2003 original issue - deferred	-	784,381	8,878	-	793,259	-
<u>Full Faith and Credit Financing</u>						
Series 2013 original issue	1,500,000	1,424,000	-	(85,000)	1,339,000	87,000
Total		<u>\$ 20,243,194</u>	<u>\$ 8,878</u>	<u>\$ (1,210,677)</u>	<u>\$ 19,041,395</u>	<u>\$ 1,197,808</u>

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

7. BONDS PAYABLE (Continued)

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

Year Ending June 30,	General Obligation Bond		Pension Obligation Bond		Full Faith and Credit Financing Agreement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,015,000	\$ 406,326	\$ 95,808	\$ 206,912	\$ 87,000	\$ 36,823	\$ 1,197,808	\$ 650,061
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	314,351	92,573	270,147	97,000	26,840	1,494,573	611,338
2021-2025	7,695,000	985,040	985,960	1,113,678	527,000	92,620	9,207,960	2,191,338
2026-2028	-	-	1,110,000	113,736	352,000	19,554	1,462,000	133,290
Subtotal	<u>\$ 13,485,000</u>	<u>\$ 2,784,745</u>	<u>\$ 2,568,643</u>	<u>\$ 2,418,331</u>	<u>\$ 1,339,000</u>	<u>\$ 271,647</u>	<u>\$ 17,392,643</u>	<u>\$ 5,474,723</u>

General Obligation Bond Issues

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.

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.

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

8. PENSION PLANS

Pension Plans

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 Two. The plan is closed to new members hired on or after August 29, 2003.

Benefits Provided

Tier One/Tier Two 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 percent for police and fire employees, 1.67 percent 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 1 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 2 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.

COLUMBIA GORGE COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

8. PENSION PLANS (Continued)

Benefits Provided (Continued)

Tier One/Tier Two Retirement Benefit ORS Chapter 238 (Continued)

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.

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 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent 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 percent 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.

COLUMBIA GORGE COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

8. PENSION PLANS (Continued)

Oregon Public Service Retirement Plan (OPSRP)

Pension Benefits (Continued) – 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 percent 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 percent 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 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and .15% on annual benefits above \$60,000.

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, 2011 actuarial valuation, as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. 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, 2015 were \$496,715. The rates in effect for the fiscal year ended June 30, 2015 were 11.02% for Tier 1/Tier 2, 9.12% for OPSRP Pension Program general service member, and 6% for OPSRP Individual Account Program.

Actuarial Assumptions – The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier 1/Tier 2 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.

COLUMBIA GORGE COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

8. PENSION PLANS (Continued)

Actuarial Assumptions (Continued) – The total pension liability at December 31, 2012 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier 1/Tier 2 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 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

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 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

8. PENSION PLANS (Continued)

Discount Rate – The discount rate used to measure the total pension liability (asset) was 7.75 percent 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. 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 Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity 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

COLUMBIA GORGE COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

8. PENSION PLANS (Continued)

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 percent, 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 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability (asset)	\$2,335,735	\$(1,102,990)	\$(4,011,345)

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

Net Pension Asset, Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the college reported an asset of \$1,102,990 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 and rolled forward to June 30, 2014. The college's proportion of the net pension asset 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, 2015 and 2014, the college's proportion was 0.0486603%.

For the year ended June 30, 2015, the college recognized negative pension expense of \$980,071 for the defined benefit portion of the pension plan as a result of the adoption of GASB Statement No. 68. At June 30, 2015, 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	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,128,324
Changes in proportion and differences between college contributions and proportionate share of contributions	45,449	-
College contributions subsequent to the measurement date	496,715	-
Total	<u>\$ 542,164</u>	<u>\$ 2,128,324</u>

COLUMBIA GORGE COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

8. PENSION PLANS (Continued)

Net Pension Asset, Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – \$496,715 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:

2016	\$	(522,201)
2017		(522,201)
2018		(522,201)
2019		(522,201)
2020		5,929
	<u>\$</u>	<u>(2,082,875)</u>

Changes in Plan Provisions Subsequent to Measurement Date – On April 30, 2015, the Oregon Supreme Court ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS.

	<u>PERS</u>		<u>College</u>		<u>Change in Net Pension (asset)/liability</u>
	<u>Prior to Moro</u>	<u>After Moro (estimated)</u>	<u>Prior to Moro</u>	<u>After Moro (estimated)</u>	
Total Pension Liability	\$ 63,130,000,000	\$ 68,050,000,000	\$ 30,700,000	\$ 33,100,000	
Fiduciary Net Position	65,400,000,000	65,400,000,000	31,800,000	31,800,000	
Net Pension Liability(asset)	<u>\$ (2,270,000,000)</u>	<u>\$ 2,650,000,000</u>	<u>\$ (1,100,000)</u>	<u>\$ 1,300,000</u>	<u>\$ 2,400,000</u>

COLUMBIA GORGE COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

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 percent of their covered payroll. The college did not make any optional contributions to member IAP accounts for the year ended June 30, 2015. Included in accrued payroll and taxes at June 30, 2015 are \$25,401 for employee contributions owed to the plan.

COLUMBIA GORGE COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

9. OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB)

Implicit Subsidy

Plan Description – The college is a participating district in the Oregon Educators Benefit Board (OEBB) health care plan that provides postemployment health, dental, vision, and prescription coverage benefits to eligible employees and their eligible dependents. This plan is not a stand-alone plan, and therefore, does not issue its own financial statements. The college has approximately 90 employees and 6 retirees eligible for or receiving health care coverage through OEBB as of October 1, 2014.

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, 2015, 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)	\$ 90,082
Interest on net OPEB obligation	12,833
Adjustment to ARC	<u>(44,088)</u>
Annual OPEB cost	58,827
Age adjusted contributions made	<u>(41,986)</u>
Change in net OPEB obligation	16,841
Net OPEB obligation, beginning of year	<u>366,665</u>
Net OPEB obligation, end of year	<u><u>\$ 383,506</u></u>

COLUMBIA GORGE COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

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:

<u>Fiscal Year Ended*</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
10/1/2014	\$ 58,827	71 %	\$ 383,506
6/30/2014	218,557	11	366,665
6/30/2013	213,325	20	170,384

*As of 6/30/12, the college did not report the OPEB obligation as determined by an actuary.

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 2015, the ratio of the UAAL to the covered payroll was 7.9%. Using a 30-year amortization period, the Annual Required Contribution (ARC) for 2015 has been actuarially determined to be \$90,082, representing \$40,843 for the normal cost and \$49,239 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 entry age normal 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 6.75%, and a 2.75% salary inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at October 1, 2014, was ten years.

COLUMBIA GORGE COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

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 .59% of annual covered for Tier 1/Tier 2 payroll, and .49% 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, 2015, 2014 and 2013 were approximately \$28,000, \$28,000, and \$27,800, respectively.

COLUMBIA GORGE COMMUNITY COLLEGE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

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 \$70,600,000 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, 2015, 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 as follows:

Year Ending June 30,		
2016	\$	169,000
2017		153,000
2018		148,000
2019		54,000
Thereafter		<u>1,000</u>
Total	\$	<u><u>525,000</u></u>

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.

COLUMBIA GORGE COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

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, 2015 approximated \$72,000. Future commitments on these leases are as follows:

Year Ending June 30,	
2016	\$ 39,000
2017	38,000
2018	38,000
2019	<u>28,000</u>
Total	<u>\$ 143,000</u>

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 financial statements, as of and for the year ended June 30, 2015 is:

Total assets	\$ 1,278,400
Total net assets	1,278,400
Total revenues, gains, and other support	1,516,616
Total expenses	238,215

COLUMBIA GORGE COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

13. RESTATEMENTS

The college has restated its net position for adoption of the provision of GASB Statement No. 68 and No. 71. The restatement also records the college's actuarially determined liability prior to joining the SLGRP, which was not included in the PERS pension liability amount. In addition, net position was restated for the recognition of accreted interest not previously recorded for its Series 2003A Limited Tax Pension Bonds. The effects of these restatements are as follows:

Net position as of June 30, 2014 (as previously reported)	\$ 20,558,877
Restatement of prior year net position for the cumulative effect of implementing GASB Statement No. 68:	
Net prepaid pension asset	(1,944,171)
Deferred outflows of resources:	
contributions during measurement period	523,250
Deferred inflows of resources:	
Net pension liability	(2,483,206)
Pre-SLGRP liability	(1,027,598)
PERS bond deferred accrued interest payable	<u>(784,381)</u>
Total restatement	<u>(5,716,106)</u>
Net position as of June 30, 2014 (as restated)	<u><u>\$ 14,842,771</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2015

OTHER POSTEMPLOYMENT BENEFIT OBLIGATION

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll</u>
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 TWO FISCAL YEARS

Year 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)
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 TWO 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
2015	0.0486603%	\$ (1,102,990)	\$ 5,251,319	\$ (21.00) %	103.60 %
2014	0.0486603%	2,483,206	5,067,970	49.00	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 - A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB Statement No. 68 Disclosure Information which can be found at: http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

Changes of Assumptions - A summary of key changes implemented since the December 31, 2011 valuation are described in the Oregon Public Employees Retirement System's GASB Statement No. 68 Disclosure Information which can be found

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at: <http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

SUPPLEMENTARY INFORMATION

COLUMBIA GORGE COMMUNITY COLLEGE

BUDGETARY INFORMATION

YEAR ENDED JUNE 30, 2015

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.

MEASUREMENT 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:

- 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 personal 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.

COLUMBIA GORGE COMMUNITY COLLEGE

BUDGETARY INFORMATION (Continued)

YEAR ENDED JUNE 30, 2015

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 *Food Service Fund* accounts for the revenues and expenditures of the campus food service contract.

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 non-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 *Wasco County G.O. Bonds Fund* is used to account for the accumulation of resources to pay the principal and interest on the Refunding General Obligation Bonds, Series 1998.

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.

COLUMBIA GORGE COMMUNITY COLLEGE

BUDGETARY INFORMATION (Continued)

YEAR ENDED JUNE 30, 2015

DESCRIPTION OF FUNDS (Continued)

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.

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 *Instructional Equipment Replacement Reserve Fund* was established to provide funding for replacement of instructional equipment as the useful life expires. Any funds not expended will remain in the fund for future use. A budgeted transfer will increase the balance each year.

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, 2015

	<u>Budget</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
State sources	\$ 3,961,067	\$ 3,961,067	\$ 3,006,924	\$ (954,143)
Local sources	1,017,593	1,017,593	1,101,455	83,862
Tuition	2,572,822	2,572,822	2,435,291	(137,531)
Instructional fees	573,196	573,196	543,487	(29,709)
Special fees	59,564	59,564	64,388	4,824
Other sources	143,376	143,376	118,640	(24,736)
Sales and services	6,513	6,513	-	(6,513)
TOTAL REVENUES	8,334,131	8,334,131	7,270,185	(1,063,946)
EXPENDITURES:				
Instruction	3,652,734	4,072,734	3,839,423	233,311
Academic support	1,002,428	1,002,428	914,783	87,645
Student services	1,067,197	1,062,197	952,861	109,336
Institutional support	3,063,851	3,198,366	2,567,304	631,062
Financial aid	20,954	20,954	17,842	3,112
Plant operation and maintenance	1,172,190	1,172,190	1,003,808	168,382
Contingency	600,000	260,500	-	260,500
Debt service	124,160	124,160	124,160	-
TOTAL EXPENDITURES	10,703,514	10,913,529	9,420,181	1,493,348
Excess of revenue over (under) expenditures	(2,369,383)	(2,579,398)	(2,149,996)	429,402
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	2,295,000	2,409,360	2,406,852	(2,508)
Transfer to other funds	(57,750)	(94,429)	(79,059)	15,370
TOTAL OTHER FINANCING SOURCES (USES)	2,237,250	2,314,931	2,327,793	12,862
Net change in fund balance	(132,133)	(264,467)	177,797	442,264
FUND BALANCE, beginning of year	509,381	641,715	641,715	-
FUND BALANCE, end of year	\$ 377,248	\$ 377,248	\$ 819,512	\$ 442,264

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, 2015

	<u>Budget</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Other sources	\$ 160,977	\$ 186,177	\$ 202,025	\$ 15,848
EXPENDITURES:				
Personnel services	26,290	26,290	29,262	(2,972)
Materials and services	29,687	29,687	25,570	4,117
TOTAL EXPENDITURES	<u>55,977</u>	<u>55,977</u>	<u>54,832</u>	<u>1,145</u>
Excess of revenue over (under) expenditures	105,000	130,200	147,193	16,993
OTHER FINANCING USE:				
Transfer to General Fund	<u>(105,000)</u>	<u>(130,200)</u>	<u>(130,200)</u>	<u>-</u>
Net change in fund balance	-	-	16,993	16,993
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>44,777</u>	<u>44,777</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,770</u>	<u>\$ 61,770</u>

COLUMBIA GORGE COMMUNITY COLLEGE

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

FOOD SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Other sources	<u>\$ 5,000</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES:				
Materials and services	<u>5,000</u>	<u>1,903</u>	<u>1,903</u>	<u>-</u>
Excess of revenue over (under) expenditures	<u>-</u>	<u>(1,903)</u>	<u>(1,903)</u>	<u>-</u>
OTHER FINANCING USE:				
Transfer to General Fund	<u>-</u>	<u>(1,679)</u>	<u>(1,679)</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>(3,582)</u>	<u>(3,582)</u>	<u>-</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>3,582</u>	<u>3,582</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COLUMBIA GORGE COMMUNITY COLLEGE

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

FEDERAL STUDENT AID FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Federal sources	<u>\$ 5,885,564</u>	<u>\$ 5,885,564</u>	<u>\$ 2,912,251</u>	<u>\$ (2,973,313)</u>
EXPENDITURES:				
Personnel services	45,000	45,000	16,025	28,975
Grants and loans	<u>5,840,564</u>	<u>5,840,564</u>	<u>2,914,481</u>	<u>2,926,083</u>
TOTAL EXPENDITURES	<u>5,885,564</u>	<u>5,885,564</u>	<u>2,930,506</u>	<u>2,955,058</u>
Excess of revenue over (under) expenditures	-	-	(18,255)	(18,255)
OTHER FINANCING SOURCE:				
Transfer from General Fund	<u>-</u>	<u>-</u>	<u>18,255</u>	<u>18,255</u>
Net change in fund balance	-	-	-	-
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COLUMBIA GORGE COMMUNITY COLLEGE

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

GRANTS FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Federal sources	\$ 812,219	\$ 984,376	\$ 754,734	\$ (229,642)
State sources	514,183	628,654	634,810	6,156
Instructional fees	48,506	48,506	69,793	21,287
Other sources	111,900	173,210	92,926	(80,284)
TOTAL REVENUES	<u>1,486,808</u>	<u>1,834,746</u>	<u>1,552,263</u>	<u>(282,483)</u>
EXPENDITURES:				
Personnel services	680,778	740,225	734,346	5,879
Materials and services	878,118	1,059,402	744,469	314,933
Capital outlay	-	125,000	11,985	113,015
TOTAL EXPENDITURES	<u>1,558,896</u>	<u>1,924,627</u>	<u>1,490,800</u>	<u>433,827</u>
Excess of revenue over (under) expenditures	(72,088)	(89,881)	61,463	151,344
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	5,000	8,991	5,000	(3,991)
Transfer to General Fund	(90,000)	(76,198)	(70,000)	6,198
Transfer fund balance from other funds*	-	-	172,854	172,854
TOTAL OTHER FINANCING SOURCES (USES)	<u>(85,000)</u>	<u>(67,207)</u>	<u>107,854</u>	<u>175,061</u>
Net change in fund balance	(157,088)	(157,088)	169,317	326,405
FUND BALANCE, beginning of year	<u>157,088</u>	<u>157,088</u>	<u>-</u>	<u>(157,088)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,317</u>	<u>\$ 169,317</u>

Beginning fund balance from funds that were consolidated into the Grants Fund in fiscal year 2015:

Health Occupations Customized Training Fund	\$ 2,789
Customized Training Fund	87,845
Small Business Development Center Program Income Fund	16,500
Fundamentals of Caregiving Contract Fund	3,991
Title II Program Income Fund	6,595
Non-Reimbursable Community Education Fund	15,419
Elderhostel Fund	10,348
Oregon Student Assistance Commission Fund	445
Child Care Resource and Referral Fund	11,964
Co-Curricular Activities Fund	73
Career Pathways Program Income Fund	70
Insurance Fund	2,207
Gorge Wind Challenge Fund	247
Regional Achievement Collaborative Fund	14,361
	<u>\$ 172,854 *</u>

COLUMBIA GORGE COMMUNITY COLLEGE

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

SCHOLARSHIP FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Other sources	<u>\$ 286,500</u>	<u>\$ 286,500</u>	<u>\$ 239,813</u>	<u>\$ (46,687)</u>
EXPENDITURES:				
Scholarships	<u>311,500</u>	<u>346,500</u>	<u>290,208</u>	<u>56,292</u>
OTHER FINANCING USE:				
Transfer from General Fund	<u>25,000</u>	<u>60,000</u>	<u>55,803</u>	<u>(4,197)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>5,408</u>	<u>5,408</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,408</u></u>	<u><u>\$ 5,408</u></u>

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, 2015

	<u>Budget</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES:				
Materials and services	\$ 179,540	\$ 179,540	\$ 3,938	\$ 175,602
Capital outlay	475,000	475,000	-	475,000
TOTAL EXPENDITURES	<u>654,540</u>	<u>654,540</u>	<u>3,938</u>	<u>650,602</u>
Net change in fund balance	(654,540)	(654,540)	(3,938)	650,602
FUND BALANCE, beginning of year	<u>654,540</u>	<u>654,540</u>	<u>649,725</u>	<u>(4,815)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 645,787</u>	<u>\$ 645,787</u>

COLUMBIA GORGE COMMUNITY COLLEGE

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

STATE CAPITAL PROJECTS FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Other sources	<u>\$ 11,320</u>	<u>\$ 11,320</u>	<u>\$ -</u>	<u>\$ (11,320)</u>
EXPENDITURES:				
Capital outlay	<u>11,320</u>	<u>11,320</u>	<u>-</u>	<u>11,320</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COLUMBIA GORGE COMMUNITY COLLEGE

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

WASCO COUNTY G.O. BONDS FUND

FOR THE YEAR ENDED JUNE 30, 2015

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Local sources	\$ -	\$ 3,060	\$ 3,060	\$ -
EXPENDITURES:				
Reserved for future expenditure	105,318	-	-	-
TOTAL EXPENDITURES	105,318	-	-	-
Excess of revenue over (under) expenditures	(105,318)	3,060	3,060	-
OTHER FINANCING USE:				
Transfer to General Fund	-	(104,973)	(104,973)	-
Net change in fund balance	(105,318)	(101,913)	(101,913)	-
FUND BALANCE, beginning of year	105,318	101,913	101,913	-
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2015

	<u>Budget</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Local sources	\$ 1,291,526	\$ 1,291,526	\$ 1,391,813	\$ 100,287
Other sources	-	-	2,516	2,516
TOTAL REVENUES	<u>1,291,526</u>	<u>1,291,526</u>	<u>1,394,329</u>	<u>102,803</u>
EXPENDITURES:				
Debt service	<u>1,391,526</u>	<u>1,391,526</u>	<u>1,391,526</u>	<u>-</u>
Net change in fund balance	(100,000)	(100,000)	2,803	102,803
FUND BALANCE, beginning of year	<u>100,000</u>	<u>100,000</u>	<u>183,884</u>	<u>83,884</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,687</u>	<u>\$ 186,687</u>

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, 2015

	<u>Budget</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Other sources	<u>\$ 270,020</u>	<u>\$ 270,020</u>	<u>\$ 297,518</u>	<u>\$ 27,498</u>
EXPENDITURES:				
Debt service	287,720	287,720	287,720	-
Reserved for future expenditures	<u>1,133,644</u>	<u>1,133,644</u>	<u>-</u>	<u>1,133,644</u>
TOTAL EXPENDITURES	<u>1,421,364</u>	<u>1,421,364</u>	<u>287,720</u>	<u>1,133,644</u>
Excess of revenue over (under) expenditures	(1,151,344)	(1,151,344)	9,798	1,161,142
FUND BALANCE, beginning of year	<u>1,151,344</u>	<u>1,151,344</u>	<u>1,332,318</u>	<u>180,974</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,342,116</u>	<u>\$ 1,342,116</u>

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, 2015

	<u>Budget</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Textbook sales	\$ 527,155	\$ 527,155	\$ 317,486	\$ (209,669)
Bank card discount fees	(5,292)	(5,292)	(5,976)	(684)
Textbooks	(400,000)	(400,000)	(220,629)	179,371
Publishers credits	15,000	15,000	11,332	(3,668)
TOTAL REVENUES	<u>136,863</u>	<u>136,863</u>	<u>102,213</u>	<u>(34,650)</u>
EXPENDITURES:				
Personnel services	104,155	104,155	95,712	8,443
Materials and services	25,270	50,470	42,754	7,716
Reserved for future expenditures	342,438	317,238	-	317,238
TOTAL EXPENDITURES	<u>471,863</u>	<u>471,863</u>	<u>138,466</u>	<u>333,397</u>
Excess of revenue over (under) expenditures	(335,000)	(335,000)	(36,253)	298,747
FUND BALANCE, beginning of year	<u>335,000</u>	<u>335,000</u>	<u>311,432</u>	<u>(23,568)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,179</u>	<u>\$ 275,179</u>

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, 2015

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES:				
Materials and services	\$ 70,000	\$ 70,000	\$ 8,527	\$ 61,473
Capital outlay	130,000	131,679	7,019	124,660
TOTAL EXPENDITURES	<u>200,000</u>	<u>201,679</u>	<u>15,546</u>	<u>186,133</u>
OTHER FINANCING SOURCE:				
Transfer from General Fund	-	1,679	-	(1,679)
Net change in fund balance	(200,000)	(200,000)	(15,546)	184,454
FUND BALANCE, beginning of year	<u>200,000</u>	<u>200,000</u>	<u>204,182</u>	<u>4,182</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,636</u>	<u>\$ 188,636</u>

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, 2015

	<u>Budget</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES:				
Reserved for future expenditures	<u>\$ 944,331</u>	<u>\$ 944,331</u>	<u>\$ -</u>	<u>\$ 944,331</u>
OTHER FINANCING USE:				
Transfer to General Fund	<u>(2,100,000)</u>	<u>(2,100,000)</u>	<u>(2,100,000)</u>	<u>-</u>
Net change in fund balance	(3,044,331)	(3,044,331)	(2,100,000)	944,331
FUND BALANCE, beginning of year	<u>3,044,331</u>	<u>3,044,331</u>	<u>2,559,331</u>	<u>(485,000)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 459,331</u>	<u>\$ 459,331</u>

COLUMBIA GORGE COMMUNITY COLLEGE

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

INSTRUCTIONAL EQUIPMENT REPLACEMENT RESERVE FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES:				
Capital outlay	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>
Net change in fund balance	(25,000)	(25,000)	-	(25,000)
FUND BALANCE , beginning of year	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
FUND BALANCE , end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COLUMBIA GORGE COMMUNITY COLLEGE

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

CLUBS FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Membership dues	\$ 1,200	\$ 1,200	\$ 2,860	\$ 1,660
Fundraising	3,495	9,335	5,278	(4,057)
TOTAL REVENUES	<u>4,695</u>	<u>10,535</u>	<u>8,138</u>	<u>(2,397)</u>
EXPENDITURES:				
Materials and services	<u>8,524</u>	<u>14,364</u>	<u>7,877</u>	<u>6,487</u>
Excess of revenue over (under) expenditures	(3,829)	(3,829)	261	4,090
OTHER FINANCING SOURCES (USES):				
Transfer fund balance from other funds*	<u>-</u>	<u>-</u>	<u>1,992</u>	<u>1,992</u>
Net change in fund balance	(3,829)	(3,829)	2,253	6,082
FUND BALANCE, beginning of year	<u>3,829</u>	<u>3,829</u>	<u>-</u>	<u>(3,829)</u>
FUND BALANCE, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,253</u></u>	<u><u>\$ 2,253</u></u>

Beginning fund balance from funds that were consolidated into the Clubs Fund in fiscal year 2015:

Environmental Club Fund	\$ 664
Phi Theta Kappa Fund	615
Student Council Fund	242
Delta Energy Club Fund	<u>471</u>
	<u><u>\$ 1,992 *</u></u>

COMPLIANCE SECTION



**Talbot, Korvola
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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, 2015, and have issued our report thereon dated January 19, 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).

An Independently Owned Member
MCGLADREY ALLIANCE



**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS (Continued)**

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	\$2,972

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 separately.

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
January 19, 2016

SINGLE AUDIT COMPLIANCE



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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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 19, 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. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2015-001 that we consider to be a significant deficiency.

An Independently Owned Member
MCGGLADREY ALLIANCE



McGladrey

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

INDEPENDENT AUDITOR'S REPORT

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 THE FINDING

The College's response to the finding identified in our audit is 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 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, Kervola & Warwick, LLP

Lake Oswego, Oregon
January 19, 2016



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2015.

An Independently Owned Member
MCGLADREY ALLIANCE



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT (Continued)

OTHER MATTERS

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002 and 2015-004. 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 OMB Circular A-133, 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 2015-002, 2015-003 and 2015-004, that we consider to be significant deficiencies.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Talbot, Korvol & Warwick, LLP

Lake Oswego, Oregon
January 19, 2016

COLUMBIA GORGE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Cluster Pass-Through Grantor/Program Title	CFDA Number	Pass through Grantor's Number	Expenditures
U.S. DEPARTMENT OF EDUCATION:			
<i>Direct:</i>			
Higher Education_Institutional Aid	84.031	P031A100182	\$ 406,009
Student Financial Assistance Cluster:			
Federal Direct Student Loans	84.268	P268K157727	1,253,773
Federal Pell Grant Program	84.063	P063P147727	1,603,708
Federal Supplemental Educational Opportunity Grants	84.007	P007A149116	42,750
Federal Work-Study Program	84.033	P033A149116	12,019
Total of Student Financial Assistance Cluster			2,912,250
<i>Passed through State of Oregon - Department of Community Colleges & Workforce Development:</i>			
Adult Education - Basic Grants to States	84.002	376.01	142,596
<i>Passed through Oregon Child Care Resource and Referral Network:</i>			
Race to the Top - Early Learning Challenge	84.412	14-051/143043	35,965
TOTAL U.S. DEPARTMENT OF EDUCATION			3,496,820
U.S. SMALL BUSINESS ADMINISTRATION:			
<i>Passed through Lane Community College Small Business Development Center Network Office:</i>			
Small Business Development Center	59.037	14-145	31,550
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			31,550
U.S. DEPARTMENT OF ENERGY:			
<i>Passed through Clackamas Community College:</i>			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	N/A	3,476
TOTAL U.S. DEPARTMENT OF ENERGY			3,476
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through Oregon Child Care Resource and Referral Network:</i>			
CCDF Cluster:			
Child Care and Development Block Grant	93.575	11-284/135351	135,125
Total CCDF Cluster			135,125
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			135,125
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,666,971

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, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Columbia Gorge Community College and is presented on the modified accrual basis of accounting. The information in the SEFA is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - 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 SEFA which is prepared on the basis explained in Note 2 of the Notes to Basic Financial Statements.

NOTE 3 - LOANS DISBURSED

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>New Loans</u>
Federal Direct Student Loans	84.268	<u>\$ 1,253,773</u>

NOTE 4 - INSTITUTIONAL CAPITAL CONTRIBUTIONS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	
Federal Supplemental Educational Opportunity Grants	84.007	\$ 14,250
Federal Work-Study Program	84.033	<u>4,006</u>
		<u>\$ 18,256</u>

COLUMBIA GORGE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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
not considered to be material
weakness(es)? Yes

Noncompliance material to financial
statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified
not considered to be material
weakness(es)? 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 510 (a) of *Circular A-133*? Yes

Identification of major programs:

CFDA NUMBERS

NAME OF FEDERAL PROGRAM OR CLUSTER

84.268; 84.063; 84.007; 84.033
84.031

Student Financial Assistance Cluster
Higher Education_Institutional Aid

Dollar threshold used to distinguish
between type A and B programs: \$300,000

Auditee qualified as low-risk auditee? No

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENT FINDING

Finding 2015-001

Criteria: The College should consistently reconcile its accounts and sub-ledgers to the general ledger.

Condition: 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.

Context: The accounting system can only create a sub-ledger listing as of the current date. In addition to the system limitations, limited staffing resources have resulted in these two reconciliations not being completed and corrections posted to the control accounts in the general ledger.

Cause: The College has not prepared reconciliations of the student receivable and agency receivable control accounts in the general ledger to their respective sub-ledgers in several years and posted correcting entries to the control accounts in the general ledger for the differences.

Effect: The lack of reconciliation of control accounts in the general ledger to accounts receivable sub-ledgers exposes the College to risk of material errors or misstatements in the annual financial report.

Recommendation: We recommend that management employ proper resources to address the timely reconciliation of accounts receivables sub-ledgers to the control accounts in the general ledger.

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-002 (repeat finding 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: 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,

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2015

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

Finding 2015-002 (repeat finding 2014-009) (Continued)

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.

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.

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.

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.

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

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2015

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

Finding 2015-003

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 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.

Condition: 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.

Questioned Costs: As this finding relates to the timely reconciliation of the SAS, there are no amounts of questioned cost identified.

Context: The College is reconciling the SAS and institutional records, however, the reconciliations are not happening on a monthly basis as required.

Cause: During the transition of the incumbent director of Financial Aid to their successor, the timeliness of these reconciliations was impacted.

Effect: Lack of reconciliation with institutional records could result in errors involving cash receipts and disbursements going unresolved indefinitely. Transactions between the College and the Department of Education, students and the Department of Education, and students and the College may be affected. Monthly SAS reconciliations support effective administration of the Title IV Pell and Direct Loan programs, and they are also required so that the College can engage in budgetary and policy analysis.

Recommendation: We recommend management perform the SAS reconciliation within 30 days of the end of each month.

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

COLUMBIA GORGE COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2015

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

Finding 2015-004

Federal Program:	CFDA 84.031 Higher Education_Institutional Aid
Federal Agency:	U.S. Department of Education
Award Year:	2014-15
Criteria:	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.
Condition:	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.
Questioned Costs:	As subsequent review of the vendor for suspension and debarment was executed and the vendor was neither, suspended or debarred, therefore no questioned costs have been identified.
Context:	Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principal(s) are suspended or debarred. The College could not provide proof for one of the eight procurements tested that the vendor had been checked for suspension and debarment.
Effect:	Failure to verify suspension and debarment for covered transactions could result in entering into agreements with parties who are suspended or debarred and the potential loss of federal funding.
Cause:	Misfiled documents or a lack of understanding related to suspension and debarment compliance requirements caused the oversight in review of the vendor for suspension and debarment.
Recommendation:	We recommend management develop and implement policies and procedures to provide appropriate documentation supporting effective review and approval of contracts of \$25,000 or more.
View of responsible official:	The College understands and concurs with the finding and recommendation.

COLUMBIA GORGE COMMUNITY COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

Finding 2014-001

Audit Finding: The College should have a system of internal controls in place to monitor the classification of their investments' to ensure compliance in accordance with their investment policy as well as Oregon Revised Statutes. The College engages an independent investment advisor to manage the investment of excess funds. However, the investment advisor doesn't monitor compliance in accordance with the College's investment policy or Oregon Revised Statutes.

Corrective Action Taken: The College developed and implemented an investment policy that includes a scheduled review with the investment advisor on a periodic basis to confirm compliance. This matter is considered resolved.

Finding 2014-002

Audit Finding: The College should have a system of internal controls in place such that the Schedule of Expenditures of Federal Awards (the SEFA) is reviewed and compared to the general ledger for completeness and accuracy on an annual basis before being presented for audit. 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.

Corrective Action Taken: The College's business office is adequately staffed which allowed for sufficient review of the SEFA. This matter is considered resolved.

Finding 2014-003

Audit Finding: The College should have a system of internal controls in place such that misstatements of the accounting records and financial statement reporting would be prevented, or detected and corrected by management or employees in the normal course of their duties. We noted several errors in the accounting records that resulted in audit adjustments which changed the annual financial report. During our audit procedures, entries were posted to correct balances relating to various accounts including property taxes receivable, deferred property tax revenue, property tax revenue, and accounts payable.

Corrective Action Taken: The College received advice on how to simplify its process for recording property taxes, however found this process not preferable for budget purposes. In lieu of revising the process, increased supervision and review was provided over the monthly adjustments. This matter is considered resolved.

COLUMBIA GORGE COMMUNITY COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

YEAR ENDED JUNE 30, 2015

Finding 2014-004

Audit Finding: The College should have a system of internal controls in place such that misstatements of the capital asset accounting records would be prevented, or detected and corrected by management or employees in the normal course of their duties. Duties should be segregated to the extent possible in order to separate the initiation, authorization and review of transactions. During our audit procedures over capital assets, we noted that the College had an asset recorded that did not meet the capitalization threshold and that there were errors in the calculation of depreciation expense.

Corrective Action Taken: The College has implemented procedures, including review of the capital asset detail at year-end, to ensure that capital assets are properly recorded. This matter is considered resolved.

Finding 2014-005

Audit Finding: The College should have a system of internal controls in place such that proper bidding procedures have been followed in accordance with the College's procurement policies for purchases between \$5,000 and \$75,000. There was no evidence of review that three quotes or sole source justification was obtained before a purchase order was executed, as appropriate.

Corrective Action Taken: The College has instituted a new procedure which requires three-quotes or sole source justification to be on file in the business office before purchase orders valued over \$5,000 are approved by the CFO. This matter is considered resolved.

Finding 2014-006

Audit Finding: The College should have a system of internal controls such that misstatements of the payroll accounting records would be prevented, or detected and corrected by management or employees in the normal course of their duties. Duties should be segregated to the extent possible in order to separate the initiation, authorization and review of transactions. We noted several errors in payroll liability and expense general ledger accounts. These errors were not detected through processes or controls over payroll financial reporting. Audit procedures performed over payroll expense and related benefit expense accounts noted classification errors.

Corrective Action Taken: The College has fully implemented a new payroll system which has mitigated classification errors. This matter is considered resolved.

COLUMBIA GORGE COMMUNITY COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

YEAR ENDED JUNE 30, 2015

Finding 2014-007 (repeat finding 2013-009)

Federal Program: CFDA No. 84.268; 84.063; 84.007; 84.033 Student Financial Assistance Cluster
CFDA No. 93.575 CCDF Cluster

Federal Agency: U.S. Department of Education

Award Year: 2013-14

Audit Finding: OMB Circular A-133, Subpart C, Section .320 requires that the audit shall be completed and the Data Collection Form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's reports, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. The College's reporting package was not submitted by the earlier date of either 30 days after receipt of the auditor's report or nine months after the end of fiscal year June 30, 2013. The single audit reporting was dated April 17, 2014.

Corrective Action

Taken: The 2013-2014 audit was completed three-months earlier than the previous year's audit and therefore the College was able to submit the reporting package before the deadline. This matter is considered resolved.

Finding 2014-008 (repeat finding 2013-012)

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: 2013-14

Audit Finding: In accordance with 34 CFR sections 668.22(a)(1) through (a)(5)), when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement. The College lacked physical evidence of effective review over the return of Title IV funding to the Department of Education for a portion of the fiscal year. During the year, the College implemented a process evidencing review.

Corrective Action

Taken: The College has implemented a two-step sign-off process to address this issue. One financial aid staff member runs the report that lists the affected students and runs the utility calculation. A second staff member adjusts the student awards, sends a revised award letter, and emails the correspondence letter to the student. Both staff members sign-off on the process. This process was implemented part way through the previous fiscal year with no findings of insufficient student record review occurring after the policy was in effect. This matter is considered resolved.

COLUMBIA GORGE COMMUNITY COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

YEAR ENDED JUNE 30, 2015

Finding 2014-009 (Repeated as finding 2015-002)

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: 2013-14

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 which caused four students to be reported outside the 30 day requirement.

Questioned Costs: As this finding relates to the timely and accurate reporting of enrollment status, there are no amounts of questioned cost identified.

Context: Out of a population of 108 students receiving Financial Aid, 14 students were selected for testing. TKW determined five student records to be out of compliance with 30 day reporting requirement. In addition, one of the five students had an incorrect enrollment status within NSLDS.

Cause: It appears the College does not have a system of controls in place to review the accuracy of student enrollment data submitted to NSLDS and ensure that timely reporting is occurring.

Effect: 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.

COLUMBIA GORGE COMMUNITY COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

YEAR ENDED JUNE 30, 2015

Finding 2014-009 (Continued)

Recommendation: We recommend management develop and 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 will implement new policies and procedures to ensure enrollment changes are reported within the 30 day requirement.

COLUMBIA GORGE COMMUNITY COLLEGE

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2015



**COLUMBIA
GORGE
COMMUNITY
COLLEGE**

*building dreams,
transforming lives*

Finding 2015-001

Corrective Actions Taken or Planned: The college has continually refined the reconciliation process to reconcile accounts receivable to the general ledger. The college has put together the final steps in solidifying the new reconciliation process. The college will generate the accounts receivable aging report and the accounts with balances report on the last day of each month. This will be used to reconcile to the general ledger. This work will be performed by the Controller and approved by the Chief Financial Officer. Hard copies will be retained by the Controller and electronically scanned into files.

Finding 2015-002

Corrective Actions Taken or Planned: The position of Financial Aid Director was filled on a permanent basis in July 2015. The Director of Financial Aid will meet with the Registrar monthly to verify enrollment reporting. The Director of Financial Aid will also keep digital and hard copies of the Enrollment Reporting Report requested from NSLDS.

Finding 2015-003

Corrective Actions Taken or Planned: The position of Financial Aid Director was filled on a permanent basis in July 2015. The Director of Financial Aid will pull reports monthly and coordinate with management in the Business Office to complete the reconciliations; signing hard copies when the reconciliation is complete.

Finding 2014-004

Corrective Actions Taken or Planned: Responsibility for college purchasing has transitioned to the Business Office under the management of the Chief Financial Officer who has training and experience administering federally funded procurements. The college has modified its procurement form for purchases over the amount of \$5,000. The form now identifies whether the purchase uses federal funds. The procurement form must be reviewed and signed by the Chief Financial Officer before issuance of a purchase order. It is now the responsibility of the Chief Financial Officer to verify suspension or debarment for covered transactions as identified on the revised procurement form.