

**COLUMBIA GORGE COMMUNITY COLLEGE**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**COLUMBIA GORGE COMMUNITY COLLEGE  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2017**

**INTRODUCTORY SECTION**

<b>PRINCIPAL OFFICIALS AND ADMINISTRATION</b>	<b>1</b>
<b>ORGANIZATION CHART</b>	<b>2</b>

**FINANCIAL SECTION**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>3</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>6</b>

**BASIC FINANCIAL STATEMENTS**

<b>STATEMENT OF NET POSITION</b>	<b>18</b>
<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>19</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>20</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>21</b>

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFIT OBLIGATION</b>	<b>49</b>
<b>SCHEDULE OF PENSION PLAN CONTRIBUTIONS</b>	<b>50</b>
<b>SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)</b>	<b>50</b>

**SUPPLEMENTARY INFORMATION**

<b>BUDGETARY INFORMATION</b>	<b>51</b>
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	
<b>GENERAL FUND</b>	<b>53</b>
<b>BUILDING LEASE FUND</b>	<b>54</b>
<b>FEDERAL STUDENT AID FUND</b>	<b>55</b>
<b>GRANTS FUND</b>	<b>56</b>
<b>SCHOLARSHIP FUND</b>	<b>57</b>

**COLUMBIA GORGE COMMUNITY COLLEGE  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2017**

<b>CAPITAL PROJECTS FUND</b>	<b>58</b>
<b>STATE CAPITAL PROJECTS FUND</b>	<b>59</b>
<b>DISTRICT G.O. BONDS FUND</b>	<b>60</b>
<b>PENSION BOND DEBT SERVICE FUND</b>	<b>61</b>
<b>COLLEGE BOOKSTORE FUND</b>	<b>62</b>
<b>FACILITIES AND GROUNDS MAINTENANCE RESERVE FUND</b>	<b>63</b>
<b>GENERAL OPERATIONS RESERVE FUND</b>	<b>64</b>
<b>CLUBS FUND</b>	<b>65</b>
<b>COMPLIANCE SECTION</b>	
<b>INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS</b>	<b>66</b>
<b>SINGLE AUDIT COMPLIANCE</b>	
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>68</b>
<b>REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>70</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>73</b>
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>74</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>75</b>

**COLUMBIA GORGE COMMUNITY COLLEGE  
PRINCIPAL OFFICIALS AND ADMINISTRATION  
JUNE 30, 2017**

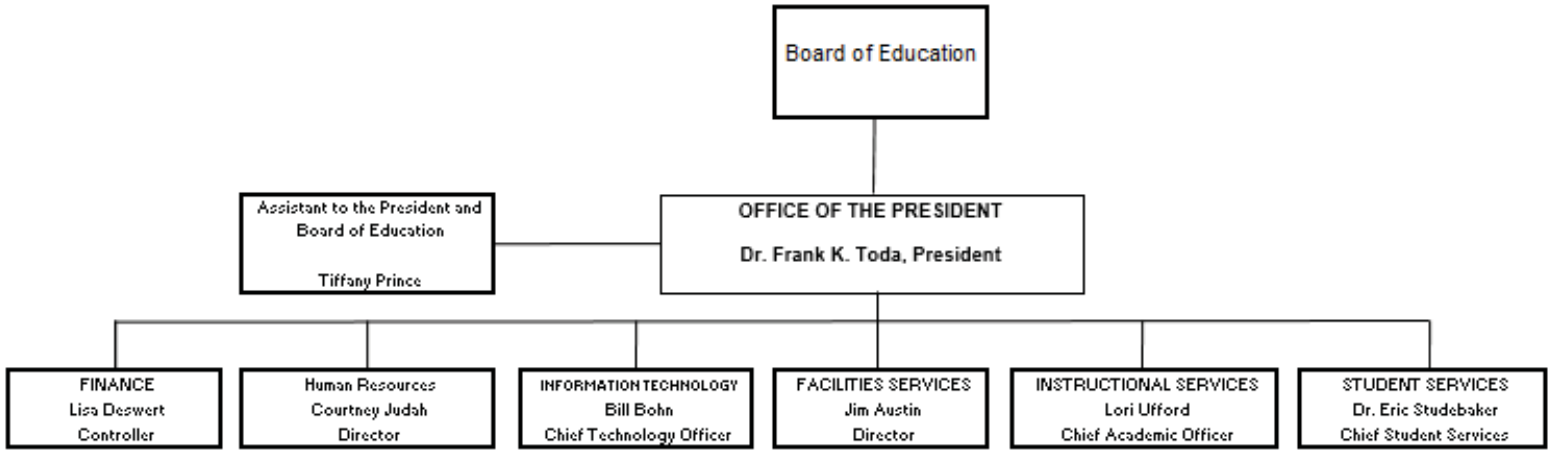
**PRINCIPAL OFFICIALS**

<u>Position #</u>	<u>Name</u>	<u>County</u>	<u>Term Ending</u>
1	J. Carmen Gamez Board Member	Wasco	June 30, 2017
2	Dr. James R. Willcox Board Member	Wasco	June 30, 2017
3	Lee Fairchild Board Member	Hood River	June 30, 2019
4	Charlotte Arnold Board Chair	Hood River	June 30, 2017
5	Dr. Ernie Keller Board Member	Wasco	June 30, 2017
6	Stuart Watson Board Member	Hood River	June 30, 2019
7	Charleen Cobb Board Member	Wasco	June 30, 2017

**ADMINISTRATION**

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

**COLUMBIA GORGE COMMUNITY COLLEGE  
ORGANIZATION CHART  
JUNE 30, 2017**



## INDEPENDENT AUDITORS' 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 business-type activities and the discretely presented component unit (Columbia Gorge Community College Foundation) of Columbia Gorge Community College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity'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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions 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. The financial statements of the discretely presented component unit (Columbia Gorge Community College Foundation) were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, the business-type activities, and the discretely presented component unit of Columbia Gorge Community College as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of contributions and schedule of proportionate share of the net pension liability, and schedule of other postemployment benefits (OPEB) funding progress 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 opinions on the financial statements that collectively comprise the Columbia Gorge Community College's basic financial statements. The budgetary information, schedules of revenues, expenditures and changes in fund balance – budget and actual listed in the table of contents are presented for purposes of additional analysis and are not required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary information, schedules of revenues, expenditures, and changes in fund balance – budget and actual and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2018, on our consideration of Columbia Gorge Community 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion the effectiveness of the Columbia Gorge Community College's 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 Columbia Gorge Community College's internal control over financial reporting and compliance.

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated January 30, 2018, on our consideration of Columbia Gorge Community College's compliance with certain provisions of laws, regulations contracts, and grants, including 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*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Minimum Standards for Audits of Oregon Municipal Corporations* in considering Columbia Gorge Community College's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Bellevue, Washington  
January 30, 2018



Christopher Knopik, CPA  
Principal  
CPA License #23028  
Oregon Municipal License #1617



**COLUMBIA GORGE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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, 2017 and 2016.

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, 2017**

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

The basic financial statements are comprised of:

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

A statement of net position presents information on all of the College's assets (what it owns) and liabilities (what it owes). The difference between total assets and deferred outflows of resources less total liabilities and deferred inflows of resources is reported as net position. Over time, changes in net position are an indicator of improving or eroding financial health. Nonfinancial 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 ended June 30, 2017 are described below.

- The College's financial position at June 30, 2017 consists of assets of \$33,914,726, deferred outflows of resources of \$5,018,957, liabilities of \$26,749,948, deferred inflows of resources of \$257,145, and net position of \$11,926,590, a decrease of \$985,717, 7.6% from the prior year.
- Total assets decreased in 2017 by \$1,365,670 to \$33,914,726, primarily due to current spending activity and depreciation on assets.

**COLUMBIA GORGE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

- Total liabilities increased in 2017 by \$3,533,669 to \$26,749,948, primarily due to the \$4,894,754 increase in net pension liability and unearned revenue offset by scheduled principal payments on bonds payable.
- Unrestricted net position decreased by \$836,727 to a deficit of \$6,002,433, which is primarily due to GASB adjusting entries.
- Within net position, the investment in capital assets less any related outstanding debt used to acquire those assets decreased by \$18,271 to \$16,339,918 in 2017. 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, 2017 and 2016:

	2017	2016	Increase (Decrease)	Change %
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 1,964,474	\$ 1,736,501	\$ 227,973	13.1%
Investments	1,829,505	2,312,015	(482,510)	(20.9)
Other Assets	1,400,073	1,572,284	(172,211)	(11.0)
Total Current Assets	<u>5,194,052</u>	<u>5,620,800</u>	<u>(426,748)</u>	(7.6)
<b>NONCURRENT ASSETS</b>				
Capital Assets, Net	28,720,674	29,659,596	(938,922)	(3.2)
Total Noncurrent Assets	<u>28,720,674</u>	<u>29,659,596</u>	<u>(938,922)</u>	(3.2)
Total Assets	<u>33,914,726</u>	<u>35,280,396</u>	<u>(1,365,670)</u>	(3.9)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Charge on Refunding	820,937	915,941	(95,004)	(10.4)
Pension	4,198,020	714,092	3,483,928	487.9
Total Deferred Outflows of Resources	<u>5,018,957</u>	<u>1,630,033</u>	<u>3,388,924</u>	207.9
<b>LIABILITIES</b>				
Current Liabilities	2,641,839	2,411,771	230,068	9.5
Noncurrent Liabilities	24,108,109	20,804,508	3,303,601	15.9
Total Liabilities	<u>26,749,948</u>	<u>23,216,279</u>	<u>3,533,669</u>	15.2
<b>DEFERRED INFLOW OF RESOURCES</b>				
Pension	257,145	781,842	(524,697)	(67.1)
<b>NET POSITION</b>				
Net Investment in Capital Assets	16,339,918	16,358,189	(18,271)	(0.1)
Restricted for:				
Debt Service	1,396,064	1,440,079	(44,015)	(3.1)
Capital Projects	193,041	279,745	(86,704)	(31.0)
Unrestricted	<u>(6,002,433)</u>	<u>(5,165,706)</u>	<u>(836,727)</u>	16.2
Total Net Position	<u>\$ 11,926,590</u>	<u>\$ 12,912,307</u>	<u>\$ (985,717)</u>	(7.6%)

**COLUMBIA GORGE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**CONDENSED FINANCIAL INFORMATION AND ANALYSIS (CONTINUED)**

**Current Assets**

Current assets of \$5,194,052 were more than sufficient to cover current liabilities of \$2,641,838. This represents a current ratio of 2.0 as compared to 2.3 in the prior year. Cash and cash equivalents decreased by \$772,027 to \$964,474 as compared to \$1,736,501 in the prior year due primarily to the cyclical 3 payment / 5 payment nature of state community college strategic fund revenue to the college. That same revenue is recognized in the Other Assets category. The overall decline in Current Assets of \$426,748 is due primarily to the reduction in overall cash investments balance spent on operations and debt service.

**Noncurrent Assets**

The College's capital assets decreased by \$938,922 to \$28,720,674 due primarily to annual depreciation charges exceeding additions for the year. Detailed changes to capital assets are shown in Note 5 of the Notes to Basic Financial Statements.

**Deferred Outflows of Resources**

The decrease in the deferred charge for refunding is due to the amortization over the remaining life of the debt instrument. The deferred charge on refunding decreased by \$95,004 to \$820,937 from 2016. The deferred outflows-pension increased by 487.9% or \$3,483,928 to \$4,198,020 in 2017.

**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 \$230,068 to \$2,641,839. Unearned revenue from tuition and fees increased by \$1,870 to \$533,153 because summer and fall enrollment opened in May.

**Noncurrent Liabilities**

Noncurrent liabilities consist of bonds payable less the current portions of specific obligations. Noncurrent liabilities increased by \$3,303,601 to \$24,108,109 due primarily to an increase in the net pension liability of \$4,894,754 to \$8,045,162.

Deferred inflows of resources have decreased by \$524,697 from \$781,842 to \$257,145. Primarily due to the net pension liability.

**Net Position**

Total net position decreased by \$985,717 to \$11,926,590, a decrease of 7.6% from the prior year. Within net position, the net investment in capital assets is \$16,339,918, a decrease of \$18,271 as compared to the prior year, primarily due to principal payments on bonds payable exceeding annual depreciation charges. Restricted net position decreased by \$130,719 to \$1,589,105. Unrestricted deficit net position decreased by \$836,727 to \$6,002,433.

**COLUMBIA GORGE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**CONDENSED FINANCIAL INFORMATION AND ANALYSIS (CONTINUED)**

Revenues, expenses, and changes in net position for the years ended June 30, 2017 and 2016:

	2017	2016	Increase (Decrease)	Change %
<b>OPERATING REVENUES</b>				
Tuition and Fees, Net	\$ 2,190,570	\$ 2,053,353	\$ 137,217	6.7%
Grants	2,164,142	2,144,706	19,436	0.9
Other Operating Revenue	825,780	596,659	229,121	38.4
Total Operating Revenues	<u>5,180,492</u>	<u>4,794,718</u>	<u>385,774</u>	8.0
<b>OPERATING EXPENSES</b>				
Instruction	4,838,001	4,972,520	(134,519)	(2.7)
Public Services	211,523	273,720	(62,197)	(22.7)
Academic Support	1,436,118	1,120,415	315,703	28.2
Student Services	1,030,673	894,496	136,177	15.2
Institutional Support	2,200,103	2,953,739	(753,636)	(25.5)
Scholarships	2,074,246	2,256,606	(182,360)	(8.1)
Plant Operations	1,071,697	1,325,750	(254,053)	(19.2)
Auxiliary Enterprises	287,117	334,918	(47,801)	(14.3)
Depreciation	982,372	958,959	23,413	2.4
Total Operating Expenses	<u>14,131,850</u>	<u>15,091,123</u>	<u>(959,273)</u>	(6.4)
<b>OPERATING LOSS</b>	<u>(8,951,358)</u>	<u>(10,296,405)</u>	<u>1,345,047</u>	(13.1)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State Support	4,172,451	5,241,152	(1,068,701)	(20.4)
Property Taxes	2,739,024	2,489,166	249,858	10.0
Grants	1,286,489	1,349,390	(62,901)	(4.7)
Other Nonoperating Revenue	393,957	227,906	166,051	72.9
Other Nonoperating Expenses	(626,280)	(654,699)	28,419	(4.3)
Total Nonoperating Revenues (Expenses)	<u>7,965,641</u>	<u>8,652,915</u>	<u>(687,274)</u>	(7.9)
<b>CHANGES IN NET POSITION</b>	(985,717)	(1,643,490)	657,773	(40.0)
Net Position - Beginning of Year	<u>12,912,307</u>	<u>14,555,797</u>	<u>(1,643,490)</u>	(11.3)
<b>NET POSITION - END OF YEAR</b>	<u>\$ 11,926,590</u>	<u>\$ 12,912,307</u>	<u>\$ (985,717)</u>	(7.6%)

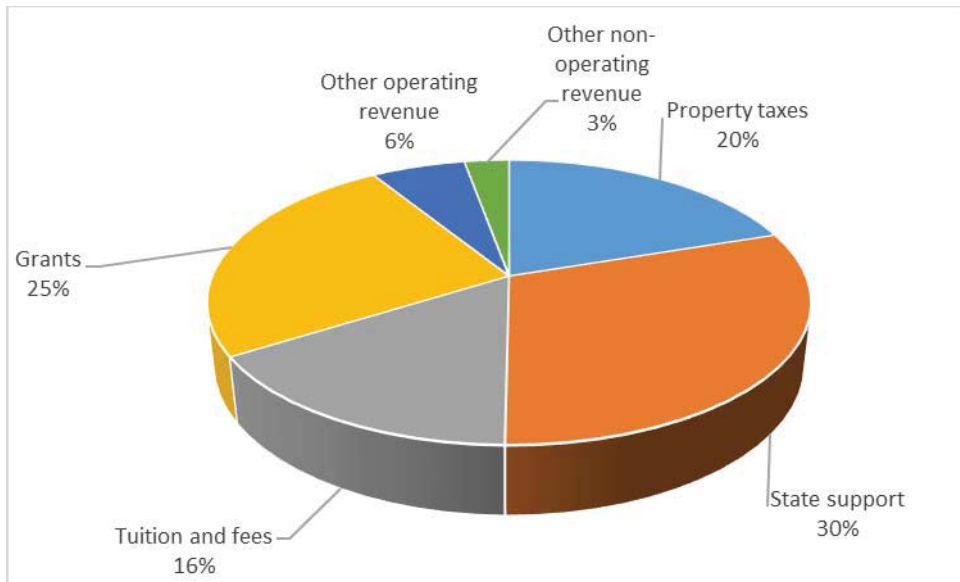
**COLUMBIA GORGE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**CONDENSED FINANCIAL INFORMATION AND ANALYSIS (CONTINUED)**

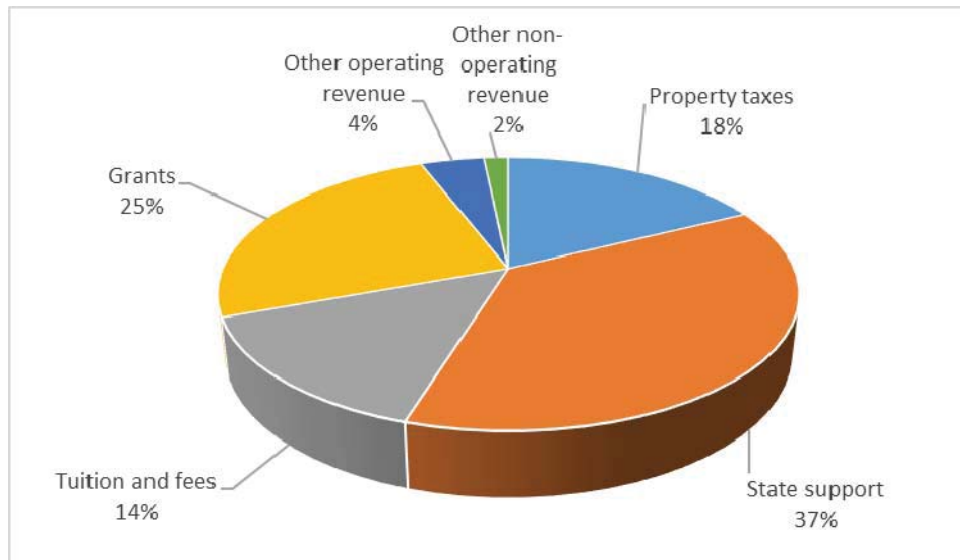
**Revenues**

The following graphs show the allocation of revenues for fiscal years 2017 and 2016.

**2017 Operating and Nonoperating Revenues**



**2016 Operating and Nonoperating Revenues**



**COLUMBIA GORGE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**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 increased by 8.0% as compared to 2016.

Tuition and fees, which include all amounts paid for educational purposes, increased 6.7% by \$137,217 to \$2,190,570, which represents 16% of total revenue. Operating revenue from federal, state and local grants increased by 0.9% or \$19,436 to \$2,164,142 due to additional awards from Federal Student Aid than in the previous year.

**Nonoperating Revenues**

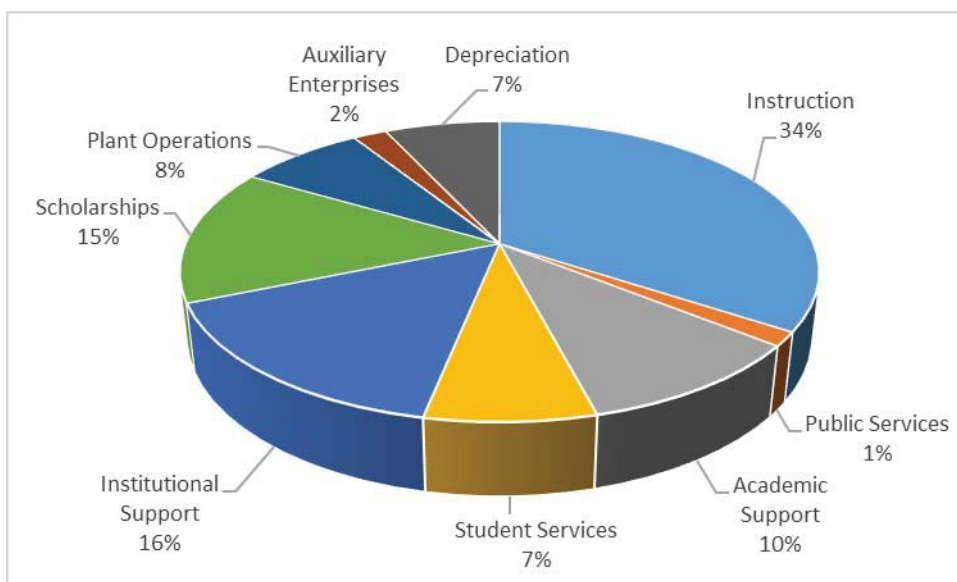
Net nonoperating revenues decreased overall by \$687,274 to \$7,965,641. One of the three largest nonoperating revenue sources is the State of Oregon, which funds FTE reimbursements through the Community College Support Fund and represents 30% of total revenue. State Community College Support revenue decreased by 20.4% to \$4,172,451, primarily due to receiving three payments in 2017 versus five in 2016, 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 10% to \$2,739,024 and represent 20% of total revenue.

**Expenses**

The following graphs show the allocation of expenses for the College by functional classification for fiscal years 2017 and 2016:

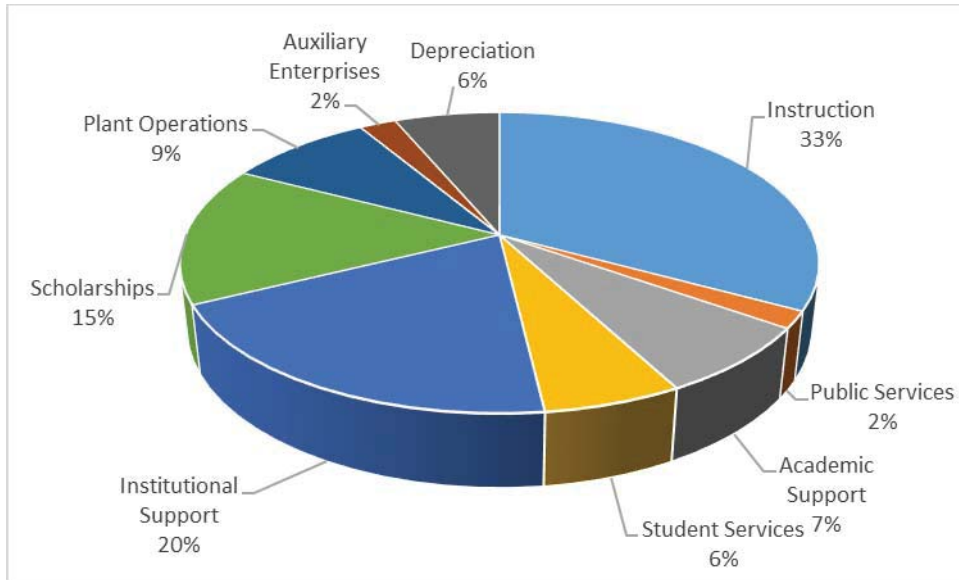
**2017 Operating and Nonoperating Expenses**



**COLUMBIA GORGE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**CONDENSED FINANCIAL INFORMATION AND ANALYSIS (CONTINUED)**

**2016 Operating and Nonoperating Expenses**



**Operating Expenses**

Operating expenses decreased by 6.4% to \$14,131,850. Instruction expenses are the largest percentage of total expenses at 34% for a total of \$4,838,001. Scholarships distributed as Financial Aid decreased by 8.1% to \$2,074,246 as compared to the prior year and accounts for 15% of total expenses. Institutional support decreased by 25.2% to \$2,200,103 or 16% of total expenses. Plant operations decreased by 19.2% to \$1,071,697 or 8% of total expenses. Academic support increased by 28.2% to \$1,436,118 or 10% of total expenses. Student services expense increased by 15.2% to \$1,030,673 and represents 7% of total expenses. Depreciation increased 2.4% to \$982,372 or 7% of total expenses.



**COLUMBIA GORGE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**CONDENSED FINANCIAL INFORMATION AND ANALYSIS (CONTINUED)**

The following table shows the statements of cash flows at June 30, 2017 and 2016:

	2017	2016	Increase (Decrease) in Cash	Change %
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Tuition and Fees	\$ 2,197,441	\$ 2,020,860	\$ 176,581	8.7%
Cash Received from Grants	2,325,838	2,117,509	208,329	9.8
Other Operating Revenue	745,805	725,100	20,705	2.9
Cash Paid for Operating Activities	(12,094,721)	(11,463,070)	(631,651)	5.5
Net Cash Provided by Operating Activities	<u>(6,825,637)</u>	<u>(6,599,601)</u>	<u>(226,036)</u>	3.4
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash Received from State Support	3,104,139	5,241,152	(2,137,013)	(40.8)
Cash Received from Property Taxes	2,783,141	2,486,970	296,171	11.9
Cash Received from Grants	1,286,489	1,349,390	(62,901)	(4.7)
Leases and Other	325,875	201,458	124,417	61.8
Principal Paid on Noncapital Debt, Net	(126,499)	(105,771)	(20,728)	19.6
Interest Paid on Noncapital Debt	(222,049)	(206,911)	(15,138)	7.3
Net Cash Provided by Noncapital Financing Activities	<u>7,151,096</u>	<u>8,966,288</u>	<u>(1,815,192)</u>	(20.2)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(43,450)	(283,885)	240,435	(84.7)
Principal Paid on Long-Term Debt	(1,215,000)	(1,102,000)	(113,000)	10.3
Interest Paid on Long-Term Debt	(389,627)	(528,188)	138,561	(26.2)
Net Cash Provided by Capital and Related Financing Activities	<u>(1,648,077)</u>	<u>(1,914,073)</u>	<u>265,996</u>	(13.9)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net Change in Investments	482,510	103,558	378,952	365.9
Interest Income	68,081	26,452	41,629	157.4
Net Cash Provided by Investing Activities	<u>550,591</u>	<u>130,010</u>	<u>420,581</u>	323.5
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>				
	(772,027)	582,624	(1,354,651)	(232.5)
Cash and Cash Equivalents - Beginning of Year	<u>1,736,501</u>	<u>1,153,877</u>	<u>582,624</u>	50.5
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 964,474</u>	<u>\$ 1,736,501</u>	<u>\$ (772,027)</u>	(44.5%)

**Operating Activities**

The College's major sources of cash included in operating activities were tuition and fees of \$2,197,441, and student financial aid (grants) of \$2,325,838. Major operating uses of cash were payments to employees and suppliers, as well as for student financial aid, totaling \$12,094,724. The College used 3.4% or \$226,036 more in cash in its operating 631,651 which was offset primarily by additional cash received in tuition and fees of \$176,581 and student financial aid of \$208,329 compared to 2016.

**Noncapital Financing Activities**

State appropriations and property taxes are the primary sources of noncapital financing activities. Cash provided from noncapital financing activities totaled \$7,151,096 primarily from cash received from state FTE reimbursement of \$3,104,139, cash from property taxes of \$2,783,141, and cash received for Pell grants of \$1,286,489. 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.

**COLUMBIA GORGE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**CONDENSED FINANCIAL INFORMATION AND ANALYSIS (CONTINUED)**

**Noncapital Financing Activities (Continued)**

The net cash provided by noncapital financing activities decreased 20.2% or \$1,815,192 over the prior year. Cash received from state appropriations decreased by \$2,137,013 due to receiving three payments versus five in the prior year which is consistent with this being the second year of the biennium. Property taxes increased by \$296,171.

**Capital Financing and Related Activities**

The capital financing uses of cash were the acquisition of capital assets of \$43,450, principal payments of \$1,215,000, and interest payments of \$389,627. The net cash used by capital financing activities decreased by \$265,996 or 13.9%. Purchases of capital assets decreased by \$240,435 compared to the prior year. Principal paid on long-term debt increased by \$113,000. Interest paid on long-term debt decreased by \$138,561.

**Investing Activities**

Investing activities provided \$550,591 in net cash, resulting from earnings on investments of \$68,081, and the net change in investments of \$482,510.

Cash provided from earnings on investments increased by \$41,629 to \$68,081 as a result of investment activities. Net change in investments provided \$482,510 of cash as compared to \$103,558 of cash in the prior year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The College's investment in capital assets as of June 30, 2017 amounts to \$28,720,674, net of accumulated depreciation. Capital assets include 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, 2017, the College had total debt outstanding of \$16,331,325, including series 2012 bond premium of \$694,693. Of this amount, \$11,345,000 is the outstanding general obligation bond series 2012 refunding; \$3,129,632 is the outstanding pension obligation bond series 2003, including both the current and deferred interest balances, and \$1,162,000 is the outstanding full faith and credit financing agreement. Total debt outstanding was reduced by \$1,421,899 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.

**COLUMBIA GORGE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS**

The College has made significant progress in balancing revenues and expenditures over the last years. After implementing difficult spending reductions, revenues and expenditures (less depreciation) in Fiscal Year 2016-17 are closely within balance.

Significant financial challenges remain, but over the longer term the College's future is bright. The College and multiple high school districts have been working on numerous efforts to improve high school dual enrollment and accelerated learning.

Community college enrollment has declined state-wide as a strengthening economy temporarily reduces the need for professional retraining. This decline in enrollment has driven the need to right-size the college.

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

For the 2017-18 academic year, Student Services is implementing a recruitment plan as well as a small cross-campus department to head up the activities. It will take some time to implement and see the increase in enrollment numbers, however, we need to get started.

Oregon Promise is still poised to influence enrollment growth for the future years. The legislature has agreed to fund the program for the current cohort year as well as made funding available for the next cohort. In a poll taken from the College's Oregon Promise students, 65% said that the Oregon Promise Grant was a key factor in choosing to attend community college this year. Columbia Gorge Community College has 82 students enrolled in 2016-17 academic year on the Oregon Promise Grant.

Dual enrollment programs are another area for enrollment growth. These are programs such as College Now, Early College, and Running Start. These opportunities are offered to students in high school to take college level classes. Some of the Running Start students are graduating high school with an associate's degree paid mostly by their high school. Some of these programs do not offer the increased tuition revenue, however, they will provide increased FTE for state funding in future years. Still, these students are also receiving exposure to the College and are likely to sign up for future studies from this experience.

**COLUMBIA GORGE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS (CONTINUED)**

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

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

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

**REQUEST FOR INFORMATION**

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

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

**COLUMBIA GORGE COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Primary Government	Component Unit
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 964,474	\$ 1,022,395
Investments	1,829,505	646,263
Receivables, Net of Allowance for Doubtful Accounts of \$408,501	2,206,715	-
Inventories and Other Current Assets	193,358	10
Total Current Assets	5,194,052	1,668,668
<b>NONCURRENT ASSETS</b>		
Capital Assets, Net	28,720,674	-
Total Noncurrent Assets	28,720,674	-
Total Assets	33,914,726	1,668,668
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charge on Refunding	820,937	-
Deferred Outflows - Pension	4,198,020	-
Total Deferred Outflows of Resources	5,018,957	-
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	81,264	-
Accrued Payroll and Taxes	651,764	-
Unearned Revenue	533,153	-
Bonds Payable	1,375,658	-
Total Current Liabilities	2,641,839	-
<b>NONCURRENT LIABILITIES</b>		
Other Postemployment Benefit Obligation	387,568	-
Pre-SLGRP Pooled Liability	719,712	-
Net Pension Liability	8,045,162	-
Bonds Payable, Net Current Portion	14,955,667	-
Total Noncurrent Liabilities	24,108,109	-
Total Liabilities	26,749,948	-
<b>DEFERRED INFLOW OF RESOURCES</b>		
Pension	257,145	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	16,339,918	-
Restricted for:		
Debt Service	1,396,064	-
Capital Projects	193,041	-
Foundation Activities	-	907,259
Unrestricted	(6,002,433)	761,408
Total Net Position	\$ 11,926,590	\$ 1,668,667

See accompanying Notes to Basic Financial Statements.

**COLUMBIA GORGE COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2017**

	Primary Government	Component Unit
<b>OPERATING REVENUES</b>		
Tuition and Fees, Net	\$ 2,190,570	\$ -
Grants:		
Federal	1,490,513	-
State and Local	673,629	-
Auxiliary Enterprises	212,671	-
Other	613,109	1,358
Donations	-	196,329
Total Operating Revenues	5,180,492	197,687
<b>OPERATING EXPENSES</b>		
Instruction	4,838,001	-
Public Service	211,523	-
Academic Support	1,436,118	-
Student Services	1,030,673	-
Institutional Support	2,200,103	-
Scholarships	2,074,246	-
Plant Operations	1,071,697	-
Auxiliary Enterprises	287,117	-
Depreciation	982,372	-
Foundation Operating Expense	-	171,290
Total Operating Expenses	14,131,850	171,290
<b>OPERATING LOSS</b>	(8,951,358)	26,397
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Support	4,172,451	-
Property Taxes	2,739,024	-
Grants	1,286,489	-
Interest Income	68,081	54,323
Lease Income	209,845	-
Interest Expense	(626,280)	-
Other	116,031	-
Total Nonoperating Revenues (Expenses)	7,965,641	54,323
<b>CHANGES IN NET POSITION</b>	(985,717)	80,720
Net Position - Beginning of Year	12,912,307	1,587,947
<b>NET POSITION - END OF YEAR</b>	\$ 11,926,590	\$ 1,668,667

See accompanying Notes to Basic Financial Statements.

**COLUMBIA GORGE COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 2,197,441
Grants	2,325,838
Auxiliary Enterprise Charges	132,696
Other	613,109
Payments to Employees	(7,285,685)
Payments to Suppliers	(2,734,790)
Financial Aid and Scholarships	(2,074,246)
Net Cash Used by Operating Activities	<u>(6,825,637)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Support	3,104,139
Property Taxes	2,783,141
Grants	1,286,489
Leases and Other	325,875
Principal Paid on Pre-SLGRP Liability	-
Principal Paid on Noncapital Debt	(126,499)
Interest Paid on Noncapital Debt	(222,049)
Net Cash Provided by Noncapital Financing Activities	<u>7,151,096</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of Capital Assets	(43,450)
Principal Paid on Capital Debt	(1,215,000)
Interest Paid on Capital Debt	(389,627)
Net Cash Used by Capital and Related Financing Activities	<u>(1,648,077)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net Change in Investments	482,510
Interest Income	68,081
Net Cash Provided by Investing Activities	<u>550,591</u>

**DECREASE IN CASH AND CASH EQUIVALENTS**

	(772,027)
Cash and Cash Equivalents - Beginning of Year	<u>1,736,501</u>

**CASH AND CASH EQUIVALENTS - END OF YEAR**

	<u>\$ 964,474</u>
--	-------------------

**RECONCILIATION OF OPERATING LOSS TO NET**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	\$ (8,951,358)
Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:	
Depreciation and Amortization	982,372
Change in OPEB Liability	(15,274)
Changes in Assets and Liabilities:	
Receivables	166,697
Inventories and Other Current Assets	29,709
Accounts Payable	16,592
Accrued Payroll and Taxes	254,022
Unearned Revenue	1,870
Pension Expense Changes Related to Net Pension Liability	689,733
Net Cash Used by Operating Activities	<u>\$ (6,825,637)</u>

See accompanying Notes to Basic Financial Statements.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 REPORTING ENTITY**

Columbia Gorge Community College (the College), is organized under the general laws of the state of Oregon and, as such, is a public institution under the general supervision by the Higher Education Coordinating Commission.

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

On July 17, 2013, the [Northwest Commission on Colleges and Universities](#) approved the College's request for independent accreditation, following a journey that began in 2006 upon direction of the College's board. The College had been accredited since its establishment in 1977 through a contract with [Portland Community College](#) (PCC). The College's quest for independent accreditation enjoyed the full support and encouragement of PCC, which had been responsible for program review and other key functions. Graduates also received diplomas from PCC instead of the College. The College achieved formal candidacy for independent accreditation in 2008, which in itself allowed the institution to compete for federal grants and award financial aid. Independent accreditation confers other major benefits, including greater flexibility in developing new instructional programs, additional access to resources, and most importantly, improved service to students. Independent accreditation is a milestone, not a destination. The distinction brings with it the requirement for continual evaluation and improvement, using specific measures to determine how the institution is meeting its mission of "Building dreams and transforming lives by providing life-long educational opportunities that strengthen our community." That process will never end.

In evaluating how to define the College for financial reporting purposes, management has considered all potential component units. The accompanying financial statements present the government and its component unit entity for which the government is considered to be financially accountable.

**Discretely Presented Component Unit**

In May 2002, the Government Accounting Standards Board (GASB) issued Statement No. 39, "Determining Whether Certain Organizations are Component Units." This statement amends Statement No. 14, "The Financial Reporting Entity", to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College.

As defined by accounting principles generally accepted in the United States of America (GAAP), the College includes one discretely presented component unit in its financial statements: the Columbia Gorge Community College Foundation (hereinafter referred to as "the Foundation"). The Foundation is a nonprofit, nongovernmental organization, whose purpose is to provide support for scholarships and programs for the College. The Foundation had an audit for the fiscal year ended June 30, 2017. Separate financial statements for Columbia Gorge Community College Foundation may be obtained through request of the Foundation Executive Director located at the Columbia Gorge Community College Mt. Hood campus.



**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

**Basis of Presentation**

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

**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.

**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.

The Foundation considers all liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents held as part of the Foundation’s investment portfolio, and where management’s intention is to use the cash to acquire investments to be held long-term, are classified as investments.

**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, 2017 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.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments (Continued)**

Investments are valued at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized and realized gains and losses are allocated to the unrestricted and temporarily restricted net position based upon the restrictions in the underlying investments. Unrealized losses are allocated to temporarily restricted net position only up to the point of previously recognized unrealized gains.

**Receivables**

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

Property taxes are levied and become a lien on all taxable property on July 1. Taxes are payable on November 15, February 15 and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes receivable are recognized as revenue when levied.

**Inventories**

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

**Capital Assets**

Capital assets include land and land improvements; building and building improvements; furniture, equipment, and machinery, and construction in progress. The College's capitalization threshold is \$5,000 for furniture, equipment, and machinery and \$50,000 for buildings and building improvements, and land and land improvements, and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value or functionality of the assets' lives are not capitalized, but are expensed as incurred.

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

Building and Building Improvements	20–50 Years
Furniture, Equipment, and Machinery	5–20 Years
Land Improvements	10–25 Years

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

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

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

**Unearned Revenue**

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

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

**Pre-State and Local Government Rate Pool (SLGRP) Pooled Liability**

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

**Bonds Payable**

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

**Pension**

Eligible College employees are participants in the 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.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other Postemployment Benefit Obligation**

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

**Deferred Inflows and Deferred Outflows**

Deferred outflows of resources represent the consumption of net position in one period that is applicable to future periods. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods. Deferred outflows relate to PERS and loss on refunding. Deferred inflows relate to PERS.

**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. Restricted net position for the component unit relates to permanently restricted endowments they hold.

**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.

**Budgetary Basis**

The financial operations of the various funds of the College on a budgetary basis are presented in individual schedules of revenues, expenditures, and changes in fund balance compared with budget, in the supplemental information section of the financial statements.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Classification of 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.

**Federal Financial Assistance Programs**

The College participates in federally funded programs, including primarily Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, and Federal Family Education Loans

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed costs may constitute a liability of the applicable funds. Such amounts, if any, cannot be determined at this time and, accordingly, no liability is reflected in the financial statements.

**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 \$1,008,231 for the year ended June 30, 2017.

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.

**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.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 CASH AND INVESTMENTS**

The College's cash and investments are comprised of the following at June 30, 2017:

Primary Government

Cash and Cash Equivalents:

Cash on Hand	\$ 4,456
Deposits with Financial Institutions	263,966
Oregon Local Government Investment Pool	694,728
Cash with PERS Obligation Bond Paying Agent	510
Total Cash and Cash Equivalents	964,474

Investments:

Government and Agency Securities	1,371,555
Corporate Bonds	457,950
Total Investments	1,829,505

Total Cash and Investments Primary Government	\$ 2,793,979
---	--------------

Component Unit

Cash and Cash Equivalents:

Deposits with Financial Institutions	\$ 1,022,395
--------------------------------------	--------------

Investments:

Exchange Traded Products	179,905
Stocks	265,564
Mutual Funds	190,630
Select Sweeps	10,164
Total Investments	646,263

Total Cash and Investments Component Unit	\$ 1,668,658
---	--------------

**Deposits with Financial Institutions**

On June 30, 2017, the College held \$263,966 book balance in demand deposits with a bank balance of \$319,387. 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).

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Brokerage Cash Account**

The College's brokerage cash account with Fidelity Investments is cash awaiting reinvestment by the College's investment advisor, Vision Capital Management, Inc. As of June 30, 2017, the College held \$814 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.

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.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Fair Value of Financial Instruments**

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

At June 30, 2017, the investments were considered as follows:

- U.S. Treasury securities of \$1,371,555 are valued using quoted market prices (Level 1 inputs)
- Corporate bonds of \$457,950 are valued using quoted market prices (Level 1 inputs)

The LGIP is unrated. Other investments held at June 30, 2017 are categorized by rating as follows:

**Highest Rating from Moody's Investors Service or  
Standard & Poor's Corporation**

Investment Type	Total	Aaa	Aa1/Aa2	A1	Not Rated
Government and Agency Securities	\$ 1,371,555	\$ 498,002	\$ -	\$ -	\$ 873,553
Corporate Bonds	457,950	-	306,121	151,829	-
Total	<u>\$ 1,829,505</u>	<u>\$ 498,002</u>	<u>\$ 306,121</u>	<u>\$ 151,829</u>	<u>\$ 873,553</u>



**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**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, 2017, the College held the following:

	<u>Value</u>	<u>Percentage of Total Investments</u>
Tennessee Valley Authority	\$ 250,435	13.69%
Financing Corp- Fed BK Enty Cpn Strp	109,435	5.98
Federal Home Ln Mtg Corp Mtn	174,550	9.54

**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, 2017, the total investments held in custody were \$1,829,505.

**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:

<u>Maturity Less Than</u>	<u>Actual at June 30, 2017</u>
30 Days	2%
90 Days	7
180 Days	62
One Year	98
18 Months	100

Foundation investments consist of exchange-traded products, stocks, mutual funds, and select sweeps and are considered Level 1 investments; recorded at fair value.

**NOTE 4 RECEIVABLES**

Receivables at June 30, 2017 consist of:

Student	\$ 991,918
Grants	1,467,945
Property Taxes	155,353
Subtotal	<u>2,615,216</u>
Allowance for Doubtful Accounts	(408,501)
Total	<u><u>\$ 2,206,715</u></u>

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5 CAPITAL ASSETS**

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

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Land	\$ 2,310,510	\$ -	\$ -	\$ 2,310,510
Capital Assets Being Depreciated:				
Buildings and Improvements	34,374,911	6,775	-	34,381,686
Furniture, Equipment, and Machinery	2,279,170	36,675	-	2,315,845
Total Capital Assets Being Depreciated	<u>36,654,081</u>	<u>43,450</u>	<u>-</u>	<u>36,697,531</u>
Total Capital Assets	<u>38,964,591</u>	<u>43,450</u>	<u>-</u>	<u>39,008,041</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(7,962,642)	(786,754)	-	(8,749,396)
Furniture, Equipment, and Machinery	(1,342,353)	(195,618)	-	(1,537,971)
Total Accumulated Depreciation	<u>(9,304,995)</u>	<u>(982,372)</u>	<u>-</u>	<u>(10,287,367)</u>
Total Capital Assets Being Depreciated, Net	<u>27,349,086</u>	<u>(938,922)</u>	<u>-</u>	<u>26,410,164</u>
Total Capital Assets, Net	<u>\$ 29,659,596</u>	<u>\$ (938,922)</u>	<u>\$ -</u>	<u>\$ 28,720,674</u>

The College, as lessor, leases a portion of its buildings totaling \$4,462,676 with accumulated depreciation of \$1,250,594 as of June 30, 2017. See Note 11 for further information.

**NOTE 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, 2017, the College reported a liability of \$719,712 for its proportionate share of the pre-SLGRP liability. The College is being assessed an employer contribution rate of 1.85 percent of covered payroll for payment of this transition liability.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 BONDS PAYABLE**

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

	Original Amount	Outstanding June 30, 2016	Increases	Decreases	Outstanding June 30, 2017	Due Within One Year
General Obligation Bond:						
Refunding Bonds, Series 2012, Interest Rates 2.0-5.0%						
Principal	\$ 13,790,000	\$ 12,470,000	\$ -	\$ (1,125,000)	\$ 11,345,000	\$ 1,135,000
Bond Premium	1,125,553	775,093	-	(80,400)	694,693	-
Pension Obligation Bond:						
Series 2003 Original Issue - Current	3,570,327	2,472,835	-	(95,671)	2,377,164	94,972
Series 2003 Original Issue - Deferred	-	783,296	-	(30,828)	752,468	53,686
Full Faith and Credit Financing Agreement						
Series 2013 Original Issue	1,500,000	1,252,000	-	(90,000)	1,162,000	92,000
Total	<u>\$ 19,985,880</u>	<u>\$ 17,753,224</u>	<u>\$ -</u>	<u>\$ (1,421,899)</u>	<u>\$ 16,331,325</u>	<u>\$ 1,375,658</u>

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

Year Ending June 30,	General Obligation Bonds		Pension Obligation Bond		Full Faith and Credit Financing		Total	
		Interest		Interest		Interest	Principal	Interest
2018	\$ 1,135,000	\$ 363,525	\$ 94,972	\$ 237,748	\$ 92,000	\$ 31,955	\$ 1,321,972	\$ 633,228
2019	1,210,000	329,475	93,659	254,061	94,000	29,425	1,397,659	612,961
2020	1,305,000	299,225	92,573	270,147	97,000	26,840	1,494,573	596,212
2021	1,360,000	260,075	92,562	290,157	100,000	24,173	1,552,562	574,405
2022	1,440,000	221,150	92,454	310,266	103,000	21,423	1,635,454	552,839
2023-2027	4,895,000	354,200	1,685,944	614,391	555,000	63,250	7,135,944	1,031,841
2028-2032	-	-	225,000	12,600	121,000	3,328	346,000	15,928
Total	<u>\$ 11,345,000</u>	<u>\$ 1,827,650</u>	<u>\$ 2,377,164</u>	<u>\$ 1,989,370</u>	<u>\$ 1,162,000</u>	<u>\$ 200,394</u>	<u>\$ 14,884,164</u>	<u>\$ 4,017,414</u>

**General Obligation Bond Issue**

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

**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.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 BONDS PAYABLE (CONTINUED)**

**Pension Obligation Bond Issue (Continued)**

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.

**NOTE 8 PENSION PLANS**

**Public Employee Retirement System (PERS)**

College employees participate in one or more Oregon PERS plans (OPERS) that provide pension, death, disability, and postemployment health care benefits to members or their beneficiaries. The pension plan is a multiple-employer cost-sharing plan. In 1995, the Legislature enacted a second level or "tier" of PERS benefits for persons who established PERS membership on or after January 1, 1996. These Tier Two members do not have the Tier One assumed earnings rate guarantee, and have a higher normal retirement age of 60, compared to 58 for Tier One. Employer contributions to PERS are required by state statute and are made at actuarially determined rates as adopted by the Public Employment Retirement Board (PERB).

PERS' financial statements are prepared on the basis of a fiscal year ended June 30. The Oregon State Treasurer has statutory responsibility for custody and investment of PERS assets. As a result of this fiduciary responsibility, PERS is included as part of the primary government in the State of Oregon Comprehensive Annual Financial Report.

PERS is administered under Oregon Revised Statutes (ORS) Chapter 238. ORS 238.620 establishes the PERB as the governing body of PERS. PERS issues a publicly available financial report, which can be obtained by writing to PERS, PO Box 23700, Tigard, Oregon 97281-3700 or by calling 503-598-7377.

Copies of the Oregon Public Employees Retirement System's Comprehensive Annual Financial Report and Actuarial Valuations may be obtained from the Oregon PERS website at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 PENSION PLANS (CONTINUED)**

**Summary of Significant Accounting Policies**

Employers participating in the Plan are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The requirements of this Statement incorporate provisions intended to reflect the effects of transactions and events related to pensions in the measurement of employer liabilities for pensions and recognition of pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.

**Basis of Accounting**

Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements. These are amounts normally included in the employer statements cut off as of the fifth of the following month.

**Proportionate Share Allocation Methodology**

The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. The contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

**Changes in Plan Provisions**

Since the December 31, 2013 actuarial valuation, the system-wide actuarially accrued liability has increased primarily due to the *Moro* decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by Employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the *Moro* decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which will be effective January 1, 2016.

(Source: June 30, 2016, OPERS CAFR, table 29, p. 65)

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 PENSION PLANS (CONTINUED)**

**Pension Plan Liability**

The components of the Plan's collective net pension liability as of the measurement date of June 30, 2016 are as follows (dollars in millions):

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 540,000	\$ 609,657	\$ 1,149,657
2019	630,000	581,593	1,211,593
2020	725,000	547,321	1,272,321
2021	825,000	507,881	1,332,881
2022	935,000	463,001	1,398,001
2023-2027	6,705,000	1,403,666	8,108,666
2028	765,000	42,305	807,305
Total	<u>\$ 11,125,000</u>	<u>\$ 4,155,424</u>	<u>\$ 15,280,424</u>

(Source: June 30, 2016, OPERS CAFR, table 28, p. 62)

**Plan Benefits**

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

**Tier One/Tier Two Retirement Benefit (Chapter 238)**

Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

**Pension Benefits**

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0% for police and fire employees, 1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either 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 One 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 Two 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  
JUNE 30, 2017**

**NOTE 8 PENSION PLANS (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:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-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 PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 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. As a result of the Moro Decision, the cap on the COLA will be restored to 2.0% for fiscal years 2016 and beyond (see Changes in Plan Provision section).

**Oregon Public Service Retirement Plan (OPSRP)** is a hybrid retirement plan with two components: a defined benefit pension plan and a defined contribution pension plan.

1. The defined benefit pension plan is provided to members who were hired on or after August 29, 2003. Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the PERB. The annual required contribution rate for the OPSRP defined benefit pension plan at June 30, 2015 is 3.72%, adjusted for the side account rate relief (11.02%).
2. The defined contribution pension plan (called the Individual Account Program) (IAP) is provided to all members or their beneficiaries who are PERS or OPSRP eligible. State statutes require covered employees to contribute 6% of their annual covered salary to the IAP plan effective January 1, 2004. Plan members of PERS retain their existing PERS accounts, but member contributions beginning in 2004 will be deposited in the member's IAP, not into the member's PERS account.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 PENSION PLANS (CONTINUED)**

**OPSRP Pension Program (OPSRP DB)**

**Pension Benefits**

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

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

**Death Benefits**

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

**Disability Benefits**

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

**Benefit Changes After Retirement**

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

**Pension Plan Contributions**

PERS and OPSRP employee contribution requirements are established by ORS 238.200 and ORS 238A.330, respectively, and are credited to an employee's account in the IAP and maybe amended by an act of the Oregon Legislature. The College requires members of PERS to contribute 6% of their salary covered under the plan. In addition, the College is required to contribute at an actuarially determined rate. The rate at June 30, 2017 is 13.93% for PERS Tier One/Two and 8.38% for OPSRP.



**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 PENSION PLANS (CONTINUED)**

**Pension Plan Contributions (Continued)**

PERS 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 PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates for the fiscal year ended June 30, 2017 were based on the December 31, 2014 actuarial valuation as subsequently modified by the Moro Decision. The rates first became effective July 1, 2016. The rates based on a percentage of payroll, first became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2017 were \$518,535, excluding amounts to fund employer specific liabilities.

**Pension Asset, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Pension expense for the year ended June 30, 2017 was \$1,404,664. At June 30, 2017, the College reported deferred outflows 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	\$ 266,169	\$ -
Changes in Assumptions	1,715,840	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,589,386	-
Changes in Proportionate Share	82,401	68,952
Differences Between Employer Contributions and Proportionate Share of System Contributions	25,689	188,193
Total (Prior to Post Measurement Date Contributions)	3,679,485	257,145
Contributions Subsequent to the Measurement Date	518,535	-
Total	<u>\$ 4,198,020</u>	<u>\$ 257,145</u>

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 PENSION PLANS (CONTINUED)**

**Pension Asset, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Of the amount reported as deferred outflows of resources, \$518,535 are related to contributions subsequent to the measurement date and will be recognized as reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 611,275
2019	611,275
2020	1,193,314
2021	888,534
2022	117,942
Total	<u>\$ 3,422,340</u>

**Actuarial Valuations**

The employer contribution rates effective July 1, 2013 through June 30, 2016 were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS 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), and (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 PERS 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), and (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  
JUNE 30, 2017**

**NOTE 8 PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

Actuarial methods and assumptions used in developing total pension liability:

Valuation Date	December 31, 2014
Experience Study Report	2014, Published September, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier I/Tier II UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Inflation Rate	2.50% (Reduced from 2.75%)
Long-Term Expected rate of Return	7.50% (Reduced from 7.75%)
Discount Rate	7.50% (Reduced from 7.75%)
Projected Salary Increases	3.50% (Reduced from 3.75%)
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blended based on service.
Mortality	<p><i>Healthy Retirees and Beneficiaries:</i> RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><i>Active Members:</i> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><i>Disabled Retirees:</i> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.</p>

(Source: June 30, 2016 PERS CAFR; p. 63)

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

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 PENSION PLANS (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50% 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.

**Depletion Date Projection**

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 PENSION PLANS (CONTINUED)**

**Depletion Date Projection (Continued)**

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

(Source: June 30, 2016 PERS CAFR; p. 63)

**Assumed Asset Allocation**

Asset Class/Strategy	Low Range	High Range	Target Range
Cash	-	3.0 %	-
Debt Securities	15.0	25.0	20.0
Public Equity	32.5	42.5	37.5
Real Estate	9.5	15.5	12.5
Private Equity	13.5	21.5	17.5
Alternative Equity	-	12.5	12.5
Opportunity Portfolio	-	3.0	-
Total			<u>100.0 %</u>

**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 2015 the PERS 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.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 PENSION PLANS (CONTINUED)**

**Long-Term Expected Rate of Return (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compound Annual Return (Geometric)</u>
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61
Bank/Leveraged Loans	3.00%	5.42
High Yield Bonds	1.00%	6.20
Large/Mid Cap US Equities	15.75%	6.70
Small Cap US Equities	1.31%	6.99
Micro Cap US Equities	1.31%	7.01
Developed Foreign Equities	13.13%	6.73
Emerging Market Equities	4.12%	7.25
Non-U.S. Small Cap Equities	1.88%	7.22
Private Equity	17.50%	7.97
Real Estate (Property)	10.00%	5.84
Real Estate (REITS)	2.50%	6.69
Hedge Fund - Diversified	2.50%	4.64
Hedge Fund - Event-Driven	0.63%	6.72
Timber	1.88%	5.85
Farmland	1.88%	6.37
Infrastructure	3.75%	7.13
Commodities	1.88%	4.58
Total	100.00%	
Assumed Inflation – Mean		2.50%

(Source: June 30, 2016 PERS CAFR; p. 66)

**Sensitivity Analysis**

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Proportionate Share of the Net Pension Liability (Asset)	\$ 12,990,257	\$ 8,045,150	\$ 3,911,938

The above is an analysis of the College's proportionate share of the net pension asset to changes in the discount rate. It presents the College's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50% 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 or one percentage point higher than the current rate (Source: June 30, 2016 PERS CAFR; p. 65).

**Plan Fiduciary Net Position as a Percentage of Total Pension Liability**

See Schedule of Changes in Net Pension (Asset) Liability on page 69 of the PERS June 30, 2016 CAFR.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 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, 2017, 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 June 30, 2016, 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:

	Amount
Annual Required Contribution (ARC)	\$ 6,609
Interest on Net OPEB Obligation	7,201
Adjustment to ARC	<u>(13,335)</u>
Annual OPEB Cost	475
Age Adjusted Contributions Made	<u>(15,749)</u>
Change in Net OPEB Obligation	(15,274)
Net OPEB Obligation - Beginning of Year	<u>402,842</u>
Net OPEB Obligation - End of Year	<u><u>\$ 387,568</u></u>

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) (CONTINUED)**

**Implicit Subsidy (Continued)**

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

Fiscal Year Ended*	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 475	3315%	\$ 387,568
June 30, 2016	61,344	68%	402,842
June 30, 2015	58,827	71%	383,506

\* The actuarial valuation as of October 1, 2014 applies to fiscal year ended June 30, 2016 and fiscal year ended June 30, 2015.

**Funding Progress** – As of June 30, 2016, the actuarial accrued liability for benefits was \$86,374, and the actuarial value of plan assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$86,374. The covered payroll (annual payroll of active employees covered by the plan) was \$5,564,436 as of June 30, 2016. For the fiscal year 2017, the ratio of the UAAL to the covered payroll was 1.55%. Using a 30-year amortization period, the Annual Required Contribution (ARC) for 2017 has been actuarially determined to be \$6,609, representing \$43,253 for the normal cost and \$50,781 for amortization of the UAAL.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the notes to the basic financial statements as required supplementary information, presents information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions** – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2016, 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 6.25%, and a 2.00% salary inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2016, was eight years.



**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 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, PO Box 23700, Tigard, Oregon, 97281-3700.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature.

**Funding Policy** – ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premium coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment the member must 1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member has eight years or more of creditable service in PERS, 2) receive both Medicare Parts A and B coverage, and 3) enroll in a PERS sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the benefit if he or she is receiving a retirement benefit or allowance from PERS or was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently .53% of annual covered for Tier 1/Tier 2 payroll, and .45% of OPSRP payroll. The PERS board sets the employer contribution rate based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The College's contributions to RHIA for the years ended June 30, 2017, 2016, and 2015 were approximately \$26,000, \$19,000, and \$28,000, respectively.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10 RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts, theft, damage, destruction of assets, errors and omissions; injuries to employees and natural disasters. The College is insured for the physical damage to vehicles and carries insurance for all risks of loss, including general and auto liability, property insurance, crime coverage, equipment breakdown coverage, and workers' compensation. General liability insurance generally covers casualty losses with a loss limit of \$10 million per occurrence and a \$20 million aggregate loss limit. The College's property insurance and equipment breakdown total loss limit is approximately \$78,900,000 with a \$10,000 property deductible and equipment deductible of \$1,000 or \$5,000 depending on motor size. Auto liability is the same as general liability with \$100 comprehensive and \$500 collision deductible. Earthquake and flood coverage has a loss limit of \$15 million. Crime coverage has a loss limit of \$250,000. Workers' compensation insurance provides statutory coverage and \$1 million employer's liability coverage. There was no significant reduction in the College's insurance coverage during the year ended June 30, 2017, and no insurance settlement exceeded insurance coverage for the past three years.

**NOTE 11 LEASES**

**Leases as Lessor**

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

<u>Year Ending June 30,</u>	
2018	\$ 183,051
2019	57,895
2020	3,354
Total	<u>\$ 244,300</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.

**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 is 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.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 11 LEASES (CONTINUED)**

**Leases as Lessee (Continued)**

The College has also entered into agreements to lease office equipment through March 2019. Total rent expense for the year ended June 30, 2017 approximated \$37,484. Future commitments on these leases are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 37,584
2019	<u>28,188</u>
Total	<u><u>\$ 65,772</u></u>

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFIT OBLIGATION  
JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll
6/30/13	\$ -	\$ 1,166,739	\$ 1,166,739	- %	\$ 5,608,714	20.80%
10/1/14	-	413,040	413,040	-	5,251,319	7.87%
6/30/16	-	86,374	86,374	-	5,564,436	1.55%

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 October 1, 2014 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 AND  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
YEAR ENDED JUNE 30, 2017**

**SCHEDULE OF PENSION PLAN CONTRIBUTIONS  
Public Employees Retirement System**

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)
2017	\$ 518,535	\$ 518,535	\$ -	\$ 5,501,994	9.42
2016	402,001	402,001	-	4,311,800	9.32
2015	496,715	496,715	-	5,350,895	9.28

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

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
Public Employees Retirement System**

Year Ended June 30,	College's Proportion of the Net Pension Liability (Asset) (a)	College's Proportionate Share of the Net Pension Liability (Asset) (b)	College's Covered Payroll (c)	College's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2017	0.0535903900%	\$ 8,045,162	\$ 4,311,800	186.58%	80.50%
2016	0.0548711900%	3,150,408	5,350,895	58.88%	91.88%
2015	0.0486603000%	(1,102,990)	5,251,319	-21.00%	103.60%
2014	0.0486603000%	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.

**COLUMBIA GORGE COMMUNITY COLLEGE  
BUDGETARY INFORMATION  
YEAR ENDED JUNE 30, 2017**

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:

- The issuance of debt
- Debt service principal payments
- Capital outlay

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

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

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

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.

**COLUMBIA GORGE COMMUNITY COLLEGE  
BUDGETARY INFORMATION (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**DESCRIPTION OF FUNDS**

The College has the following funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
State Sources	\$ 4,122,600	\$ 4,122,600	\$ 4,172,451	\$ 49,851
Local Sources	1,130,020	1,130,020	1,176,262	46,242
Tuition	2,332,063	2,332,063	2,171,314	(160,749)
Instructional Fees	881,700	881,700	804,928	(76,772)
Special Fees	59,806	59,806	81,340	21,534
Other Sources	71,968	71,968	130,426	58,458
Sales and Services	1,365	1,365	8,264	6,899
Total Revenues	<u>8,599,522</u>	<u>8,599,522</u>	<u>8,544,985</u>	<u>(54,537)</u>
<b>EXPENDITURES</b>				
Instruction	3,545,968	3,615,968	3,604,405	11,563
Academic Support	1,263,479	1,263,479	1,170,942	92,537
Student Services	980,685	1,010,685	949,116	61,569
Institutional Support	2,000,736	1,880,736	1,721,548	159,188
Financial Aid	27,650	27,650	18,432	9,218
Plant Operation and Maintenance	1,070,756	1,090,756	1,043,105	47,651
Contingency	220,000	220,000	-	220,000
Debt Service	34,430	34,430	34,430	-
Total Expenditures	<u>9,143,704</u>	<u>9,143,704</u>	<u>8,541,978</u>	<u>601,726</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(544,182)	(544,182)	3,007	547,189
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from Other Funds	150,200	150,200	150,200	-
Transfer to Other Funds	(605,619)	(605,619)	(577,533)	28,086
Total Other Financing Sources (Uses)	<u>(455,419)</u>	<u>(455,419)</u>	<u>(427,333)</u>	<u>28,086</u>
<b>NET CHANGE IN FUND BALANCE</b>	(999,601)	(999,601)	(424,326)	575,275
Fund Balance - Beginning of Year	<u>2,130,000</u>	<u>2,130,000</u>	<u>2,213,234</u>	<u>83,234</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 1,130,399</u></u>	<u><u>\$ 1,130,399</u></u>	<u><u>\$ 1,788,908</u></u>	<u><u>\$ 658,509</u></u>



**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
BUILDING LEASE FUND  
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other Sources	\$ 196,000	\$ 196,000	\$ 209,845	\$ 13,845
<b>EXPENDITURES</b>				
Personnel Services	34,443	34,443	30,829	3,614
Materials and Services	39,310	39,310	18,198	21,112
Total Expenditures	73,753	73,753	49,027	24,726
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	122,247	122,247	160,818	38,571
<b>OTHER FINANCING USE</b>				
Transfer to General Fund	(150,200)	(150,200)	(150,200)	-
Internal Department Services	(853)	(853)	(853)	-
Total Other Financing Sources (Uses)	(151,053)	(151,053)	(151,053)	-
<b>NET CHANGE IN FUND BALANCE</b>	(28,806)	(28,806)	9,765	38,571
Fund Balance - Beginning of Year	45,000	45,000	77,016	32,016
<b>FUND BALANCE - END OF YEAR</b>	\$ 16,194	\$ 16,194	\$ 86,781	\$ 70,587

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
FEDERAL STUDENT AID FUND  
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal Sources	\$ 3,452,477	\$ 3,452,477	\$ 2,338,570	\$ (1,113,907)
<b>EXPENDITURES</b>				
Personnel Services	13,777	13,777	10,663	3,114
Grants and Loans	3,451,450	3,451,450	2,337,007	1,114,443
Total Expenditures	3,465,227	3,465,227	2,347,670	1,117,557
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(12,750)	(12,750)	(9,100)	(21,850)
<b>OTHER FINANCING SOURCE</b>				
Transfer from General Fund	12,750	12,750	11,766	(984)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	2,666	2,666
Fund Balance - Beginning of Year	-	-	(720)	(720)
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ 1,946	\$ 1,946

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
GRANTS FUND  
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal Sources	\$ 449,489	\$ 449,489	\$ 438,432	\$ (11,057)
State Sources	131,830	131,830	227,435	95,605
Instructional Fees	49,400	49,400	1,480	(47,920)
Other Sources	66,582	66,582	92,487	25,905
Total Revenues	<u>697,301</u>	<u>697,301</u>	<u>759,834</u>	<u>62,533</u>
<b>EXPENDITURES</b>				
Personnel Services	543,587	725,054	638,157	86,897
Materials and Services	283,123	382,117	174,647	207,470
Total Expenditures	<u>826,710</u>	<u>1,107,171</u>	<u>812,804</u>	<u>294,367</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(129,409)	(409,870)	(52,970)	356,900
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from General Fund	<u>(7,798)</u>	<u>(6,878)</u>	-	<u>6,878</u>
<b>NET CHANGE IN FUND BALANCE</b>	(137,207)	(416,748)	(52,970)	363,778
Fund Balance - Beginning of Year	<u>137,208</u>	<u>137,208</u>	<u>306,816</u>	<u>169,608</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1</u>	<u>\$ (279,540)</u>	<u>\$ 253,846</u>	<u>\$ 533,386</u>

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
SCHOLARSHIP FUND  
YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Other Sources	<u>\$ 989,000</u>	<u>\$ 989,000</u>	<u>\$ 667,772</u>	<u>\$ (321,228)</u>
<b>EXPENDITURES</b>				
Scholarships	<u>1,064,000</u>	<u>1,064,000</u>	<u>716,404</u>	<u>347,596</u>
<b>OTHER FINANCING USE</b>				
Transfer from General Fund	<u>75,000</u>	<u>75,000</u>	<u>46,948</u>	<u>(28,052)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(1,684)	(1,684)
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>5,173</u>	<u>5,173</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,489</u>	<u>\$ 3,489</u>

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Materials and Services	\$ 170,000	\$ 170,000	\$ 500	\$ 169,500
Debt Service	90,000	90,000	86,204	3,796
Total Expenditures	<u>260,000</u>	<u>260,000</u>	<u>86,704</u>	<u>173,296</u>
<b>NET CHANGE IN FUND BALANCE</b>	(260,000)	(260,000)	(86,704)	173,296
Fund Balance - Beginning of Year	<u>260,000</u>	<u>260,000</u>	<u>279,745</u>	<u>19,745</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 193,041</u></u>	<u><u>\$ 193,041</u></u>

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
STATE CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other Sources	\$ 4,000	\$ 4,000	\$ 11,242	\$ 7,242
<b>EXPENDITURES</b>				
Materials and Services	4,000	4,000	2,795	1,205
<b>NET CHANGE IN FUND BALANCE</b>	-	-	8,447	8,447
Fund Balance - Beginning of Year	-	-	(8,447)	(8,447)
<b>FUND BALANCE - END OF YEAR</b>	<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  
YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources	\$ 1,506,799	\$ 1,506,799	\$ 1,562,762	\$ 55,963
Other Sources	4,226	4,226	9,054	4,828
Total Revenues	<u>1,511,025</u>	<u>1,511,025</u>	<u>1,571,816</u>	<u>60,791</u>
<b>EXPENDITURES</b>				
Debt Service	<u>1,511,025</u>	<u>1,511,025</u>	<u>1,511,025</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	60,791	60,791
Fund Balance - Beginning of Year	<u>190,000</u>	<u>190,000</u>	<u>196,344</u>	<u>6,344</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 257,135</u>	<u>\$ 67,135</u>

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
PENSION BOND DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Other Sources	\$ 252,964	\$ 252,964	\$ 212,914	\$ (40,050)
<b>EXPENDITURES</b>				
Debt Service	317,720	317,720	317,720	-
Reserved for Future Expenditures	1,277,361	1,277,361	-	1,277,361
Total Expenditures	<u>1,595,081</u>	<u>1,595,081</u>	<u>317,720</u>	<u>1,277,361</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,342,117)	(1,342,117)	(104,806)	1,237,311
Fund Balance - Beginning of Year	<u>1,342,117</u>	<u>1,342,117</u>	<u>1,243,735</u>	<u>(98,382)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,138,929</u>	<u>\$ 1,138,929</u>



**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
COLLEGE BOOKSTORE FUND  
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Textbook Sales	\$ 395,000	\$ 395,000	\$ 212,914	\$ (182,086)
Bank Card Discount Fees	(5,200)	(5,200)	(1,199)	4,001
Textbooks	(250,000)	(250,000)	(171,672)	78,328
Publishers Credits	12,000	12,000	6,076	(5,924)
Total Revenues	<u>151,800</u>	<u>151,800</u>	<u>46,119</u>	<u>(105,681)</u>
<b>EXPENDITURES</b>				
Personnel Services	105,956	105,956	84,929	21,027
Materials and Services	50,660	50,660	46,289	4,371
Reserved for Future Expenditures	<u>235,763</u>	<u>235,763</u>	<u>-</u>	<u>235,763</u>
Total Expenditures	<u>392,379</u>	<u>392,379</u>	<u>131,218</u>	<u>261,161</u>
<b>OTHER FINANCING USE</b>				
Transfer to General Fund	<u>(2,421)</u>	<u>(2,421)</u>	<u>-</u>	<u>2,421</u>
<b>NET CHANGE IN FUND BALANCE</b>	(243,000)	(243,000)	(85,099)	157,901
Fund Balance - Beginning of Year	<u>243,000</u>	<u>243,000</u>	<u>205,346</u>	<u>(37,654)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,247</u>	<u>\$ 120,247</u>

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
FACILITIES AND GROUNDS MAINTENANCE RESERVE FUND  
YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
Materials and Services	\$ 2,800	\$ 2,800	\$ -	\$ 2,800
<b>OTHER FINANCING SOURCE</b>				
Transfer from General Fund	222,200	222,200	222,200	-
<b>NET CHANGE IN FUND BALANCE</b>	219,400	219,400	222,200	2,800
Fund Balance - Beginning of Year	2,800	2,800	2,869	69
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 222,200</u>	<u>\$ 222,200</u>	<u>\$ 225,069</u>	<u>\$ 2,869</u>

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
GENERAL OPERATIONS RESERVE FUND  
YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
Reserved for Future Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>OTHER FINANCING USE</b>				
Transfer from General Fund	<u>290,669</u>	<u>290,669</u>	<u>290,669</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	290,669	290,669	290,669	-
Fund Balance - Beginning of Year	<u>159,331</u>	<u>159,331</u>	<u>159,331</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 450,000</u></u>	<u><u>\$ 450,000</u></u>	<u><u>\$ 450,000</u></u>	<u><u>\$ -</u></u>

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
CLUBS FUND  
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Membership Dues	\$ 6,800	\$ 6,800	\$ 1,325	\$ (5,475)
Fundraising	14,500	14,500	5,778	(8,722)
Total Revenues	<u>21,300</u>	<u>21,300</u>	<u>7,103</u>	<u>(14,197)</u>
<b>EXPENDITURES</b>				
Materials and Services	<u>29,273</u>	<u>29,273</u>	<u>12,290</u>	<u>16,983</u>
<b>OTHER FINANCING SOURCE</b>				
Transfer from General Fund	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,973)	(2,973)	(187)	2,786
Fund Balance - Beginning of Year	<u>2,973</u>	<u>2,973</u>	<u>3,708</u>	<u>735</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,521</u>	<u>\$ 3,521</u>

**INDEPENDENT AUDITORS' 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 Audit Standards*, issued by the Comptroller General of the United States, the basic financial statements of Columbia Gorge Community College (the College) as of and for the year ended June 30, 2017, and have issued our report thereon dated January 30, 2018.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Columbia Gorge Community 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 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. The aggregate discretely presented component unit was not tested for compliance with certain provisions of laws, regulations, contracts, and grants, including 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*.

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).

In connection with our testing, nothing came to our attention that caused us to believe Columbia Gorge Community 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*.

**OAR 162-10-0230 Internal Control**

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

This report is intended solely for the information and use of the board of directors, management of Columbia Gorge Community College, and the Oregon Secretary of State and is not intended to be, and should not be, used by anyone other than these parties.



**CliftonLarsonAllen LLP**

Bellevue, Washington  
January 30, 2018



Christopher Knopik, CPA  
Principal  
CPA License #23028  
Oregon Municipal License #1617



**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***

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 financial statements of the business-type activities and the discretely presented component unit of Columbia Gorge Community College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Columbia Gorge Community College's basic financial statements, and have issued our report thereon dated January 30, 2018. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Columbia Gorge Community 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Columbia Gorge Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Columbia Gorge Community 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 entity'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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Columbia Gorge Community 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*.

**Columbia Gorge Community College’s Response to Findings**

Columbia Gorge Community College’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Columbia Gorge Community 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 result of that testing, and not to provide an opinion on the effectiveness of the entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Bellevue, Washington  
January 30, 2018



Christopher Knopik, CPA  
Principal  
CPA License #23028  
Oregon Municipal License #1617





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

Board of Education  
Columbia Gorge Community College  
The Dalles, Oregon

**Report on Compliance for Each Major Federal Program**

We have audited Columbia Gorge Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Columbia Gorge Community College's major federal programs for the year ended June 30, 2017. Columbia Gorge Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Columbia Gorge Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Columbia Gorge Community 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 major federal programs. However, our audit does not provide a legal determination of Columbia Gorge Community College's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Columbia Gorge Community 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, 2017.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, and 2017-008. Our opinion on each major federal program is not modified with respect to these matters.

Columbia Gorge Community College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Columbia Gorge Community College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Report on Internal Control Over Compliance**

Management of Columbia Gorge Community 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 Columbia Gorge Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Columbia Gorge Community 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 a 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 deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, and 2017-008 which we consider to be significant deficiencies.

Board of Education  
Columbia Gorge Community College

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

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



**CliftonLarsonAllen LLP**

Bellevue, Washington  
January 30, 2018



Christopher Knopik, CPA  
Principal  
CPA License #23028  
Oregon Municipal License #1617

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Direct:</b>				
Student Financial Assistance Cluster				
Federal Direct Student Loans	84.268		\$ -	\$ 1,005,583
Federal Pell Grant Program	84.063		-	1,286,489
Federal Supplemental Educational Opportunity Grants	84.007		-	27,300
Federal Work-Study Program	84.033		-	10,663
Total Student Financial Assistance Cluster			<u>-</u>	<u>2,330,035</u>
<b>Passed-Through State of Oregon - Department of Community Colleges and Workforce Development:</b>				
Adult Education - Basic Grants to States	84.002	376.01	<u>-</u>	<u>162,710</u>
<b>Passed-Through Oregon Child Care Resource and Referral Network:</b>				
Race to the Top - Early Learning Challenge	84.412	10436/148902	<u>-</u>	<u>41,691</u>
Total U.S. Department of Education			<u>-</u>	<u>2,534,436</u>
<b>U.S. SMALL BUSINESS ADMINISTRATION</b>				
<b>Passed-Through Lane Community College Small Business Development Center Network Office:</b>				
Small Business Development Center	59.037	15-145	<u>-</u>	<u>37,777</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Passed-Through Oregon Child Care Resource and Referral Network:</b>				
CCDF Cluster:				
Child Care and Development Block Grant	93.575	10436/148902	<u>-</u>	<u>112,284</u>
<b>NATIONAL SCIENCE FOUNDATION</b>				
<b>Direct:</b>				
Advanced Technological Education	47.076	1600434	<u>-</u>	<u>92,374</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 2,776,871</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**COLUMBIA GORGE COMMUNITY COLLEGE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Columbia Gorge Community College under programs of the federal government for the year ended June 30, 2017. The information in this SEFA is presented in accordance With the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations for Columbia Gorge Community College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Columbia Gorge Community College.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown in the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Columbia Gorge Community College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

***Section I – Summary of Auditors’ Results***

***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)?   x   yes      \_\_\_\_\_ none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)?   x   yes      \_\_\_\_\_ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?   x   yes      \_\_\_\_\_ no

***Identification of Major Federal Programs***

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Student Financial Aid Cluster: 84.007 84.033 84.063 84.268	Federal Supplemental Educational Opportunity Grants Federal Work Study Program Federal Pell Grant Program Federal Direct Loans
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000/\$187,500</u>
Auditee qualified as low-risk auditee?	_____ yes <u>  x  </u> no

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

---

***Section II – Financial Statement Findings***

---

**2017 – 001**

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

**Criteria or specific requirement:** College management is responsible for establishing and maintaining an internal control system, which allows for the periodic reconciliation of payroll accounts to reporting sheets and payroll reports.

**Condition and context:** During our audit of payroll processes and procedures, we noted payroll reconciliations have not been completed since June 30, 2016.

**Effect:** The design of internal controls over payroll processing and reconciliations, could affect the ability of the College to detect and prevent the misappropriation of assets or fraudulent activity.

**Cause:** Lack of oversight.

**Repeat finding:** Not a repeat finding.

**Recommendation:** We recommend the College be constantly aware of all processes and procedures involved in recording and reconciling payroll activity on a periodic basis and develop processes and procedures to ensure a periodic reconciliation process is completed in a timely manner. In addition to completing the reconciliation on a periodic basis, the reconciliations should also be reviewed by an individual independent of the reconciliation process, but is also knowledgeable of payroll and could detect an error.

**Views of responsible officials:** There is no disagreement with the audit finding.

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

---

***Section III – Findings and Questioned Costs – Major Federal Programs***

---

**2017 – 002**

Federal agency: Department of Education

Federal program title: Student Financial Aid

CFDA Number: 84.268 – Federal Direct Loans

Award Period: July 1, 2016 – June 30, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matter

**Criteria or specific requirement:** Federal regulations require that all students be awarded the proper amount based on their need, cost of attendance, expected family contribution, and program requirements.

**Condition:** Aid received from outside sources was not coordinated with awarding of federal aid.

**Questioned costs:** Subsidized Loans \$1,066.

**Context:** One of 40 students tested received an outside scholarship after the first disbursement but before the second was made. The second disbursement was not adjusted to reduce the student's need based on the outside aid received, therefore, need based aid was over disbursed.

**Cause:** An outside award received by the student was not taken into account, and the student's award was not adjusted accordingly.

**Effect:** The College is not in compliance with the federal regulations surrounding awarding of funds resulting in over awards and disbursements. This could result in the College being financially responsible for improper awarding.

**Repeat finding:** Not a repeat finding.

**Recommendation:** We recommend the College put a process in place to ensure that the receipt of outside awards is coordinated with the federal awarding of aid.

**Views of responsible officials:** There is no disagreement with the audit finding.



**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

**2017 – 003**

Federal agency: Department of Education

Federal program title: Student Financial Aid

CFDA Number: 84.268 – Federal Direct Loans

Award Period: July 1, 2016 – June 30, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matter

**Criteria or specific requirement:** Federal regulations require that all students receiving loan disbursements, receive notification within 30 days for affirmative confirmations and within 30 days before and 7 days after for non-affirmative confirmations.

**Condition:** Notifications of loan disbursements were not sent to students.

**Questioned costs:** None.

**Context:** No notifications of loan disbursements were being sent.

**Cause:** Notifications of loan disbursements were not being sent. The only communication to the student was the initial award letter.

**Effect:** The College was not in compliance with the requirement to send notifications of disbursements to students for loans. This could result in student's carrying a higher loan balance than they intended without ability to cancel some or all of the funds.

**Repeat finding:** Not a repeat finding.

**Recommendation:** We recommend the College put a process in place to send the proper notifications of loan disbursements to students.

**Views of responsible officials:** There is no disagreement with the audit finding.

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

**2017 – 004**

Federal agency: Department of Education

Federal program title: Student Financial Aid

CFDA Number: 84.063 – Federal Pell Grant

84.007 – Federal Supplemental Educational Opportunity Grant

84.033 – Federal Work Study

84.268 – Federal Direct Loans

Award Period: July 1, 2016 – June 30, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matter

**Criteria or specific requirement:** Federal regulations require that students receive aid for any part of a term they attend.

**Condition:** The College does not process an R2T4 for students who drop prior to census date. The College's policy is to reverse all aid and charges for students who drop prior to the census date.

**Questioned costs:** Unknown.

**Context:** The College does not track students who begin attendance but drop prior to the census date. All aid is returned and charges reversed.

**Cause:** The College does not take attendance during the census period; they only take attendance at the census date.

**Effect:** The College does not properly calculate and give students the aid they have earned for days attended during the census period.

**Repeat finding:** Not a repeat finding.

**Recommendation:** We recommend that the College put a process in place to take attendance during the census period and to perform a R2T4 for any student who attended at least one day.

**Views of responsible officials:** There is no disagreement with the audit finding.

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

**2017 – 005**

Federal agency: Department of Education

Federal program title: Student Financial Aid

CFDA Number: 84.268 – Federal Direct Loans

Award Period: July 1, 2016 – June 30, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matter

**Criteria or specific requirement:** Federal regulations require that all students perform entrance counseling prior to receiving direct loan funds.

**Condition:** The College could not provide documentation to support that the student had completed entrance counseling.

**Questioned costs:** None.

**Context:** One of 40 students tested was not able to be shown that entrance counseling was performed.

**Cause:** The College could not provide documentation to support that the student completed entrance counseling.

**Effect:** The College is not in compliance with the federal regulations to ensure that entrance counseling has been completed prior to disbursing loan funds.

**Repeat finding:** Not a repeat finding.

**Recommendation:** We recommend the College put a process in place to ensure that any student who is scheduled to receive loan funds has completed entrance counseling.

**Views of responsible officials:** There is no disagreement with the audit finding.

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

**2017 – 006**

Federal agency: Department of Education

Federal program title: Student Financial Aid

CFDA Number: 84.063 – Federal Pell Grant  
84.268 – Federal Direct Loans

Award Period: July 1, 2016 – June 30, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matter

**Criteria or specific requirement:** Federal regulations require that all student enrollment status changes be reported to the National Student Loan Database System (NSLDS) using the proper enrollment status and effective date of the change.

**Condition:** Enrollment status changes were reported with improper statuses, improper effective dates of the change in enrollment and were not reported timely.

**Questioned costs:** None.

**Context:** One of 40 students tested were reported to NSLDS with an effective date that did not agree with the College records of the actual change in status. One of the 40 students tested were not reported with the proper enrollment status.

**Cause:** The College identified some known programming errors in the report used to report enrollment statuses to NSLDS. It pulled in the date of a change in registrations instead of the date the enrollment status changed. It also did not differentiate between earned and unearned letter grades.

**Effect:** The College is not in compliance with the federal regulations that require accurate enrollment statuses and changes to those status be reported to NSLDS. This could result in changes to the amount of interest charged to a student along with improper length of grace periods for students.

**Repeat finding:** Yes, prior year finding 2016-006.

**Recommendation:** We recommend the College continue to monitor and ensure that the script used to report enrollment statuses to NSLDS is reporting accurately.

**Views of responsible officials:** There is no disagreement with the audit finding.

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

**2017 – 007**

Federal agency: Department of Education

Federal program title: Student Financial Aid

CFDA Number: 84.063 – Federal Pell Grant

84.007 – Federal Supplemental Educational Opportunity Grant

84.033 – Federal Work Study

Award Period: July 1, 2016 – June 30, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matter

**Criteria or specific requirement:** Federal regulations require that the Fiscal Operations Report and Application to Participate (FISAP) be completed in an accurate manner.

**Condition:** The College improperly completed the FISAP initially.

**Questioned costs:** None.

**Context:** The College had a waiver for institutional share of both college work study and the supplemental education opportunity grant funds. The FISAP had classification errors with the inclusion of institutional amounts. The College also did not report the proper amount of tuition.

**Cause:** The waiver received was not considered when first filled out and the budget amount of tuition instead of actual was reported.

**Effect:** The College did not properly complete the FISAP.

**Repeat finding:** Not a repeat finding.

**Recommendation:** We recommend the College put a process in place to review the FISAP prior to submission to ensure all areas are properly completed.

**Views of responsible officials:** There is no disagreement with the audit finding.

**COLUMBIA GORGE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

**2017 – 008**

Federal agency: Department of Education

Federal program title: Student Financial Aid

CFDA Number: 84.063 – Federal Pell Grant  
84.268 – Federal Direct Loans

Award Period: July 1, 2016 – June 30, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matter

**Criteria or specific requirement:** Federal regulations require that the actual disbursement dates and amounts be reported to the Common Origination and Disbursement (COD) system in a timely manner.

**Condition:** The College did not properly report the disbursement dates or the amount of the disbursements to COD within the required 15 days.

**Questioned costs:** None.

**Context:** 14 of the 80 disbursements tested had disbursement dates reported to COD that differed from the date the disbursement was made on the student account. 2 of the 80 disbursements tested had different amounts reported than were actually disbursed on the student account. 5 out of the 80 disbursements tested were not reported timely to COD.

**Cause:** The processing of aid and reporting to COD of disbursements must be completed in a certain order along with any changes being subsequently re-reported.

**Effect:** The College did not properly report disbursement information to COD in a timely manner. This could result in students paying more or less in repayment than they actually received and interest amounts charged being for days they did or did not have the funds in their possession.

**Repeat Finding:** Not a repeat finding.

**Recommendation:** We recommend the College put a process in place to use the system effectively to report the disbursements to COD. We also recommend that a review process be put in place to ensure that the system is properly reporting the information to COD.

**Views of responsible officials:** There is no disagreement with the audit finding.