

CLATSOP COMMUNITY COLLEGE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2014

**Clatsop Community College
Clatsop County, Oregon**

Annual Financial Statements

Year Ended June 30, 2014



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JoAnn Zahn, Vice President Finance & Operations

**CLATSOP COMMUNITY COLLEGE
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Clatsop Community College
Astoria, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Clatsop Community College (the College) as of and for the year ended June 30, 2014, 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 aggregate discretely presented component unit was 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 of the business-type activities and the aggregate discretely presented component unit of Clatsop Community College as of June 30, 2014, and the respective changes in financial position and, where applicable, 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 and schedule of other postemployment benefits (OPEB) funding progress on pages 4 through 12 and 38 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 Clatsop Community College's basic financial statements. The balance sheet, schedule of changes in fund balances, and schedule of revenues, expenditures, and changes in fund balance compared with budget listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The balance sheet, schedule of changes in fund balances, and schedule of revenues, expenditures, and changes in fund balance compared with budget 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 December 9, 2014, on our consideration of Clatsop 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 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clatsop Community College's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
December 9, 2014



John T. Fisher, CPA, CGFM
Principal
Oregon License #9781
Municipal License #1305

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Introduction

This section of Clatsop Community College's (the College) annual audit presents an analysis of the financial activities of the College for the fiscal year ended June 30, 2014. It is designed to focus on current activities, resulting changes, and current known facts. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with them. Consequently, management assumes responsibility for the completeness and reliability of all information presented in this report.

Financial Highlights

- The District's primary funding source is public support from local property tax supplemented by grants-in-aid received from the state of Oregon. The primary basis of state support is the calculation of student Full-Time Equivalents (FTEs). During the 2013-2014 academic year, total reported reimbursable FTEs were 1,306.54 as contrasted to 1,360.23 in the 2012-2013 academic year with the "hold harmless" factor to fall term enrollment applied to both years. As FTE enrollment for which the College could be reimbursed by the state's enrollment management formula was capped at 1,354, the 1,306.54 FTE can be fully applied to calculating state reimbursement for academic year 2013-14.
- Significant expenditure reductions in FY12 resized the institution and provided fiscal sustainability with continued focus on monitoring student enrollment, annual revenue and expenditures closely for material variances from budget estimates. The 2013-14 planning priorities include restoring employee compensation according to collectively bargained agreements including employees receiving cost of living increases, professional development funding, and no furlough days.
- During the 2013-14 fiscal year, the College provided more than \$5.370 million in financial aid to students. This aid was in the form of grants, scholarships, student employment opportunities, and loans funded through the federal government, state of Oregon, and local funding as shown below.

Federal Work Study	\$ 85,578
Federal SEOG	96,216
Federal Pell Grant	2,456,120
Federal Direct Student Loans	2,120,466
CCC Foundation Scholarships	156,728
Oregon Need Grant	308,705
Institutional Waivers and Grants	146,471
Total Financial Aid Provided to Students	<u><u>\$ 5,370,284</u></u>

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the College's basic financial statements, which are 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 contains other supplementary information in addition to the basic financial statements including debt compliance reporting. 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.

The statement of net position presents information on all of the College's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position are indicators of the improvement or erosion of the College's financial health when considered along with nonfinancial facts such as enrollment levels and the condition of the facilities.

The statement of revenues, expenses, and changes in net position presents the revenues earned and the expenses incurred during the year. All changes in net position are reported under the accrual basis of accounting, or as soon as the underlying event giving rise to the change occurs, regardless of the timing when the cash is received or disbursed. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The utilization of long-lived assets is reflected in the financial statements as depreciation, which amortizes the cost of the capital asset over the expected useful life. Revenues and expenses are reported as either operating or nonoperating, with operating revenues primarily coming from tuition, grants, and contracts. State appropriations, property taxes, and Pell grants for students are classified as nonoperating revenues.

The statement of cash flows presents information on cash flows from operating activities, noncapital financial activities, capital and related financing activities, and investing activities. It provides the net increase or decrease in cash between the beginning and end of the fiscal year. This statement assists in evaluating financial viability and the College's ability to meet financial obligations as they become due.

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

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. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. Beginning in the year ended June 30, 2003, the College elected to include the Clatsop Community College Foundation (the Foundation) in its financial statements as a component unit. The Foundation qualifies for this treatment because it raises funds for the direct benefit of the College students and programs. The College has not identified any other organizations that might be considered additional component units under GASB Statement No. 39. The financial information presented for the Foundation has been audited as of June 30, 2014.

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Financial Analysis of the College as a Whole

Statement of Net Position

The statement of net position includes all assets and liabilities of the College using the accrual basis of accounting, which is similar to the accounting presentation used by most private colleges. Net position is the difference between assets and liabilities, and is one measure of the financial condition of the College.

Fiscal year 2014 compared to 2013

	2014	2013	Percent Change
ASSETS			
Current Assets	\$ 4,103,168	\$ 4,252,909	(4)%
Noncurrent Assets:			
Other Noncurrent Assets	16,145,351	16,236,725	(1)
Capital Assets, Net of Depreciation	34,517,750	35,514,388	(3)
Total Assets	\$ 54,766,269	\$ 56,004,022	(2)
LIABILITIES			
Current Liabilities	\$ 5,550,186	\$ 5,456,477	2
Long-Term Debt, Noncurrent Portion	26,577,077	27,423,055	(3)
Total Liabilities	32,127,263	32,879,532	(2)
NET POSITION			
Investment in Capital Assets, Net of Related Debt	21,138,452	21,799,214	(3)
Temporarily Restricted	2,511,950	2,608,206	(4)
Unrestricted	(1,011,396)	(1,282,930)	(21)
Total Net Position	22,639,006	23,124,490	(2)
Total Liabilities and Net Position	\$ 54,766,269	\$ 56,004,022	(2)

At June 30, 2014, the College's assets were approximately \$54.8 million. The College's current assets of \$4.1 million were less than current liabilities of \$5.5 million. This represents a current ratio of 0.74, in comparison to .78 in the prior year. Efforts to improve cash flow by reducing expenditures have been, and continue to be, addressed. Cash and investments of \$2.179 million represent 53 percent of the current assets while \$1.687 million is made up of receivables from property taxes, governmental receivables, and student receivables. Other noncurrent assets decreased to \$16.1 million from \$16.2 million in 2013. Capital assets decreased to \$34.5 million compared to \$35.5 million in 2013.

The College's current liabilities of \$5.5 million consist primarily of payroll, various payables for operations, deferred revenues, and the current portion of long-term debt: waterline to MERTS, pension bond obligations, and facilities bond obligations. Noncurrent liabilities decreased by \$846 thousand and consists of long-term debt: waterline to MERTS, pension bond obligations, facilities bond obligations, and the liability to record Other Post Employment Benefits (OPEB).

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Financial Analysis of the College as a Whole (Continued)

Within net position, the "capital assets - net" amounts to \$21.1 million, a decrease of \$661 thousand over the prior year. This amount represents the College's plant and equipment, less accumulated depreciation and related debt. The \$2.512 million temporarily restricted net asset represents the ASH Funds restricted for phase 3 of the strategic plan dedicated to the Redevelopment of Patriot Hall and the balance in the JCRP fund.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position present the operating results of the College, as well as the nonoperating revenues and expenses. Annual state reimbursements, property taxes and Pell grants for students, while budgeted for operations, are considered nonoperating revenues according to accounting principles generally accepted (GAAP) in the United States of America.

Fiscal year 2014 compared to 2013

	<u>2014</u>	<u>2013</u>	<u>Percent Change</u>
Total Operating Revenues	\$ 6,403,685	\$ 6,578,061	(3)%
Total Operating Expenses	<u>15,703,676</u>	<u>15,853,859</u>	(1)
Operating Loss	(9,299,991)	(9,275,798)	0
Nonoperating Revenues, Net	<u>8,814,507</u>	<u>8,737,732</u>	1
Total Increase (Decrease) in Net Position	(485,484)	(538,066)	(10)
Net Position - Beginning of Year	<u>23,124,490</u>	<u>23,662,556</u>	(2)
Net Position - End of Year	<u>\$ 22,639,006</u>	<u>\$ 23,124,490</u>	(2)

Revenues

The most significant sources of operating revenue for the College are tuition and fees, financial aid, grants and contracts from federal, state, other local sources, and auxiliary services. Tuition and fees includes all amounts paid for educational purposes and totaled \$3.228 million, net of scholarship allowances (see page 13 for more detail). Financial aid, grants, and contracts (not including Pell grants) totaled \$2 million. Auxiliary services consist of operations that furnish goods or services to students, faculty, staff, or the general public and charge a fee directly related to the cost of these goods or services. They consist of bookstore and vessel/vehicle operations. Auxiliary services revenue amounted to \$368 thousand. Other local sources were \$855 thousand.

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Financial Analysis of the College as a Whole (Continued)

Revenues (Continued)

The College's major sources of nonoperating revenue are from property taxes and timber revenues (\$5.137 million), funding for operations from the state of Oregon (\$1.523 million), and Pell grants for students (\$2.456 million). Investment income of \$331 thousand consists primarily of interest earned on the note receivable that is tied to the New Market Tax Credit debt.

Major Clatsop County taxpayers are provided below:

Taxpayer	Business/Service	Tax	Assessed Value	Percent of Value
Georgia Pacific Consumer Products	Paper Manufacturing	\$ 2,458,973	\$ 250,157,606	4.67%
Lewis & Clark Oregon Buyer LLC	Forest Products	874,251	19,286,754	0.36%
Worldmark The Club	Timeshare Resort	559,927	9,380,215	0.18%
PacifiCorp (Pacific Power)	Electrical Utility	506,430	41,496,000	0.77%
Northwest Natural Gas Co.	Natural Gas Utility	462,762	37,472,400	0.70%
Hampton Lumber Mills Inc.	Forest Products	430,077	36,172,824	0.68%
Charter Communication	Telecommunications	353,288	26,044,600	0.49%
Western Generation Agency	Electrical Utility	274,362	28,000,000	0.52%
Longview Timberlands LLC	Forest Products	248,949	7,358,857	0.14%
Fort James Operating Company	Paper Manufacturing	235,696	24,030,300	0.45%
Subtotal - ten of County's largest taxpayers			479,399,556	8.95%
All other County's taxpayers			4,875,163,687	91.05%
Total District			\$ 5,354,563,243	100.00%

Real Market Value

Fiscal Year	M5 Real Market Value	Total Assessed Value	Urban Renewal Excess	Net Assessed Value
2014	\$ 7,281,392,025	\$ 5,534,159,999	\$ 179,596,756	\$ 5,354,563,243
2013	7,254,191,848	5,249,149,439	171,485,547	5,077,663,892
2012	7,704,823,561	5,132,363,950	157,514,983	4,974,848,967
2011	8,128,017,096	5,006,555,416	152,080,427	4,854,474,989
2010	8,855,704,653	4,917,937,839	134,034,366	4,783,903,473
2009	9,265,057,609	4,750,212,186	107,204,000	4,643,008,186

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Financial Analysis of the College as a Whole (Continued)

Expenses

Operating expenses totaling \$15.7 million include salaries and benefits, materials and supplies, utilities, scholarships, and depreciation. The greatest percentage of expenses is instruction and instructional support (33 percent). Student financial aid represents 20 percent which includes federal, state, and institutional aid to students to pay the costs of education. Student services expenses (12 percent) provide support to students for activities that occur outside the classroom and include enrollment services, counseling, and financial aid assistance. Institutional support (15 percent) represents the operational aspects of the College, including the administration, business office, and computer services. The following chart shows expenses by category and percentage change compared to 2013 for the College:

	2014 Actual Expense	2013 Actual Expense	Percent Change
Educational and General:			
Instruction	\$ 3,827,543	\$ 3,950,342	(3)%
Instructional Support	1,369,680	1,393,711	(2)
Student Services	1,915,482	1,857,515	3
Institutional Support	2,329,857	2,302,952	1
Operation and Maintenance of Plant	1,076,526	1,115,394	(3)
Auxiliary Enterprises	402,234	497,030	(19)
Community Services	228,162	209,281	9
Student Financial Aid	3,103,347	3,285,299	(6)
Other Expense	1,490	1,501	(1)
Depreciation and Amortization Expense	1,449,355	1,240,834	17
Total Operating Expenses	<u>\$ 15,703,676</u>	<u>\$ 15,853,859</u>	(1)

Statement of Cash Flows

This statement provides an assessment of the financial health of the College. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the College during a period. The statement of cash flows also helps users assess the ability to meet obligations as they come due and the need for external financing.

Fiscal year 2014 compared to 2013

	2014	2013	Percent Change
Cash Provided (Used) by:			
Operating Activities	\$ (7,245,063)	\$ (8,521,094)	(15)%
Noncapital Financing Activities	9,638,550	9,490,355	2
Capital and Related Financing Activities	(2,032,197)	(689,728)	195
Investing Activities	18,135	16,750	8
Net Increase/(Decrease) in Cash and Cash Equivalents	379,425	296,283	28
Cash and Cash Equivalents - Beginning of Year	2,746,559	2,450,276	12
Cash and Cash Equivalents - End of Year	<u>\$ 3,125,984</u>	<u>\$ 2,746,559</u>	14

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Financial Analysis of the College as a Whole (Continued)

Operating Activities

The major sources of funds included in operating activities include student tuition and fees, federal financial aid, grants and contracts, and auxiliary enterprises. Major uses were payments made to employees and suppliers, and for student financial aid and other scholarships. The College used \$1.16 million less in cash this year to sustain its operations than in the prior year, a decrease of 15 percent from 2013.

Noncapital Financing Activities

State FTE reimbursements and property taxes are the primary sources of noncapital financing. Accounting standards require that these sources of revenue be reported as nonoperating even though the College depends on these revenues to continue the current level of operations. Approximately \$260 thousand more in cash was provided by noncapital financing activities than in the prior year.

Capital Financing Activities

The College used \$2 million for capital construction and debt payments.

Investing Activities

The College earned \$18,135 thousand in interest on bank balances and funds invested in the long-term governmental investment pool.

Budgetary Highlights

The College adopts an annual budget at the fund level, which is under the modified accrual basis of accounting for governmental funds. The original budget was amended for the General Fund and Unexpended Plant funds. The amendment was necessary due to unknown circumstances at the time the budgets were originally prepared. For more information, please refer to the budgetary schedules as Supplementary Information in the Financial Section of this report.

Capital Assets and Debt

The College's investment in capital assets as of June 30, 2014, amounted to \$34.5 million, net of accumulated depreciation. Investment in capital assets includes land, buildings, improvements, machinery and equipment, and library books. The College has recently completed a \$29 million capital construction project which has included the demolition of a building, construction of a new building, renovation of an existing building, and major infrastructure work to improve the campus utilities. Additional information on the College's capital assets can be found in the footnotes of the report. The Redevelopment of Patriot Hall is in phase three of the Facilities Master Plan with \$7.990 million authorized in 2013 legislation in SB 5507.

The College has loans for a waterline for the MERTS property, energy improvements, PERS pension obligations, tax anticipation note, and facilities bonds obligations. The total outstanding on this debt at June 30, 2014 was \$28.3 million.

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Debt Capacity

ORS 341.675 establishes a parameter of general obligation bonded indebtedness for community colleges. Community Colleges may issue an aggregate principal amount up to 1.5 percent of the Real Market Value of all taxable properties within the district if the district's voters approve the general obligation bonds. Real Market Value for 2014 is \$7.281 billion. The General Obligation Bonds, Series 2009, for \$5 million has \$4.55 million outstanding debt subject to the limit. The district has a low 4.17 percent issued compared to total debt capacity.

Real Market Value (Fiscal Year 2014)	\$ 7,281,392,025
Debt Capacity	
General Obligation Debt Capacity (1.50% of Real Market Value)	\$ 109,220,880
Less: Outstanding Debt Subject to Limit	<u>(4,550,000)</u>
Remaining General Obligation Debt Capacity	\$ 104,670,880
Percent of Capacity Issued	4.17%

Debt Ratios

Fiscal Year 2014

Real Market Value	\$ 7,281,392,025		
Estimated Population	37,244		
Per Capita Real Market Value	\$ 195,505		
Debt Information		Gross Direct Debt⁽¹⁾	Net Direct Debt
District Direct Debt	\$ 28,311,950	\$ 28,311,950	\$ 28,311,950
Overlapping Direct Debt	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Direct Debt	<u>\$ 28,311,950</u>	<u>\$ 28,311,950</u>	<u>\$ 28,311,950</u>
Bonded Debt Ratios			
District Direct Debt to Real Market Value		0.39%	0.39%
Total Direct Debt to Real Market Value		0.39%	0.39%
Per Capita District Direct Debt	\$ 760	\$ 760	\$ 760
Per Capita Total Direct Debt	\$ 760	\$ 760	\$ 760

(1) see Note 9 long-term debt schedule

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Economic Factors and Next Year's Budget

The Budget Advisory Committee, established by the President in 2012, is part of the College's participatory governance structure to inform all constituent groups about resources and spending. The 2014-15 general fund operating budget was developed using guiding principles and priorities to restore positions reduced in prior years including a 1.0 FTE automotive faculty position and 1.0 FTE enrollment coordinator position. State funding for community colleges has improved significantly in the 2013-15 to \$1.5 million and \$1.7 million, respectively. The state support funding represents only 17 percent of the College's annual revenue based on the funding formula allocation. The College's percentage of total formula allocation has reduced from 1.71 percent in 2008 to .66 percent in 2014. Alternative revenue sources and establishing community partnerships while reducing expenditures will continue to be necessary to ensure expenditures are within available resources. Significant expenditure reductions were made in FY12 and sustained in FY13 including staffing reductions through attrition, early retirement, and layoff. Rebuilding the general fund ending fund balance to 15 percent in five years is a strategic priority.

In August 2014, an advance refunding of Full Faith and Credit Obligation (FFCO) issued in 2006 was completed. The advance refunding reduces annual debt payments by an average of \$30 thousand and will save more than \$315 thousand over the remaining debt term.

Local property tax information (Summary of Property Tax Collections 2013-14) indicates a 1 percent increase in the total certified tax amount for 2014 in Clatsop County. County officials are predicting the total property tax assessed value increase will not grow by the statutory 3 percent in the next budgeting period with a 1 percent increase seen as reasonable.

Fall 2014 enrollment reports indicate a small increase in student enrollment compared to fall 2013, which is a positive indicator for efforts made to focus on student outreach and retention efforts. The completion of phase I and II of the facilities master plan capped a \$29 million capital project in June 2012 and provided an improved learning environment for students and faculty to reach their educational goals. The Patriot Hall Redevelopment Project represents phase 3 of the facilities master plan with the 2013 legislation approving \$7.990 million for the project. The College matched the \$7.990 million with a voter approved \$8.2 million general obligation bond on November 4, 2014.

State and local funding will continue to be a challenge for the College, requiring close monitoring of actual revenue and expenditures. All three collective bargaining agreements have been successfully and timely completed, which provides administration planning/projection clarity through FY16.

Requests for Information

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

Vice President, Finance and Operations
Clatsop Community College
1651 Lexington Ave.
Astoria, OR 97103

**CLATSOP COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Primary Government	Component Unit Clatsop Community College Foundation
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,120,946	\$ 224,071
Restricted Cash and Investments	58,427	2,838,373
Receivables:		
Property Taxes	526,960	-
Governmental	491,760	-
Student Receivables, Net	668,444	-
Contributions	-	555
Inventories	136,050	-
Other	100,581	-
Total Current Assets	4,103,168	3,062,999
NONCURRENT ASSETS		
Restricted Cash and Investments	946,611	-
Notes Receivable	7,583,779	-
Accrued Interest Receivable	1,659,809	-
Net Pension Asset	5,955,152	-
Capital Assets - Net	34,517,750	-
Total Noncurrent Assets	50,663,101	-
Total Assets	\$ 54,766,269	\$ 3,062,999

See accompanying Notes to Financial Statements.

	Primary Government	Component Unit Clatsop Community College Foundation
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 46,379	\$ 25,336
Payroll Liabilities	834,780	-
Unearned Revenue	753,725	-
Due to Student Groups	30,000	-
Accrued Interest Payable	1,726,409	-
Other Current Liabilities	12,135	-
Current Portion of Long-Term Debt	2,146,758	-
Total Current Liabilities	<u>5,550,186</u>	<u>25,336</u>
NONCURRENT LIABILITIES		
Note Payable, Less Current Portion of Long-Term Debt	26,442,941	-
Other Postemployment Benefits	134,136	-
Total Noncurrent Liabilities	<u>26,577,077</u>	<u>-</u>
Total Liabilities	32,127,263	25,336
NET POSITION		
Capital Assets	34,517,750	-
Less: Related Debt	<u>(13,379,298)</u>	<u>-</u>
Net Investment in Capital Assets	21,138,452	-
Restricted - Expendable	2,511,950	2,271,335
Restricted - Unexpendable	-	584,697
Unrestricted	<u>(1,011,396)</u>	<u>181,631</u>
Total Net Position	<u>22,639,006</u>	<u>3,037,663</u>
Total Liabilities and Net Position	<u>\$ 54,766,269</u>	<u>\$ 3,062,999</u>

CLATSOP COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014

	<u>Primary Government</u>	<u>Component Unit Clatsop Community College Foundation</u>
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship		
Allowance of \$146,471	\$ 3,227,780	\$ -
Federal Student Financial Aid Grant	179,430	-
State Student Financial Aid Grant	308,705	-
Federal Grants and Contracts	1,307,158	-
State and Local Government Grants and Contracts	157,128	-
Other Local Sources	854,861	632,789
Auxiliary Enterprises	368,623	-
Total Operating Revenues	6,403,685	632,789
OPERATING EXPENSES		
Educational and General:		
Instruction	3,827,543	-
Instructional Support	1,369,680	-
Student Services	1,915,482	-
Institutional Support	2,329,857	-
Operation and Maintenance of Plant	1,076,526	-
Auxiliary Enterprises	402,234	-
Community Services	228,162	-
Student Financial Aid	3,103,347	-
Other Expense	1,490	335,060
Depreciation and Amortization Expense	1,449,355	-
Total Operating Expenses	15,703,676	335,060
OPERATING (LOSS) INCOME	(9,299,991)	297,729
NONOPERATING REVENUES (EXPENSES)		
State FTE Reimbursement	1,523,187	-
Property Taxes and Timber Revenues	5,137,081	-
Investment Income	330,720	-
Other Local Revenue	496,326	-
Pell Grants	2,456,120	-
Interest Expense	(1,128,927)	-
Total Nonoperating Revenues	8,814,507	-
CHANGES IN NET POSITION	(485,484)	297,729
Net Position - Beginning of Year	23,124,490	2,739,934
NET POSITION - END OF YEAR	\$ 22,639,006	\$ 3,037,663

See accompanying Notes to Financial Statements.

**CLATSOP COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014**

	<u>Primary Government</u>	<u>Component Unit Clatsop Community College Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 3,175,593	\$ -
Paid to Students	(3,103,347)	-
Grants and Contracts	1,941,376	-
Aid Received for Students	488,135	-
Payments to Vendors	(1,589,077)	-
Payments to Employees	(8,978,992)	-
Other	854,861	(5,149)
Auxiliary Enterprises	(33,612)	-
Net Cash Used by Operating Activities	(7,245,063)	(5,149)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local Property Taxes and Timber Revenues	5,171,905	-
State Appropriations and Other Payments	1,523,187	-
Nonoperating Grants	2,456,120	-
Other Local Revenue	487,338	-
Direct Lending Receipts	2,120,466	-
Direct Lending Disbursements	(2,120,466)	-
Net Cash Provided by Noncapital Financing Activities	9,638,550	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(94,161)	-
Loan Proceeds	1,275,000	-
Loan Principal Paid	(2,391,386)	-
Loan Interest Paid	(821,650)	-
Net Cash Used by Capital and Related Financing Activities	(2,032,197)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income (Loss)	18,135	(49,846)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	379,425	(54,995)
Cash and Cash Equivalents - Beginning of Year	2,746,559	279,066
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,125,984	\$ 224,071

See accompanying Notes to Financial Statements.

	Primary Government	Component Unit Clatsop Community College Foundation
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating (Loss) Income	\$ (9,299,991)	\$ 297,729
Adjustments to Reconcile Operating (Loss) Income to Net Cash Used by Operating Activities:		
Depreciation and Amortization	1,449,355	-
Change in OPEB Liability	25,781	-
Realized and Unrealized (Gain) Loss on Investments	-	(335,331)
(Increase) Decrease in Assets:		
Receivables (Net)	467,035	-
Contributions Receivable	-	8,297
Inventories	28,075	-
Other Assets	44,632	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(39,370)	24,156
Payroll Liabilities	129,672	-
Unearned Revenue	(42,134)	-
Other Current Liabilities	(8,118)	-
Net Cash Used by Operating Activities	<u>\$ (7,245,063)</u>	<u>\$ (5,149)</u>
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and Cash Equivalents	\$ 2,120,946	\$ 224,071
Restricted Cash and Cash Equivalents	1,005,038	-
Cash and Cash Equivalents - End of Year	<u>\$ 3,125,984</u>	<u>\$ 224,071</u>

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Clatsop Community College (the College) is a public, two-year co-educational institution. The College is a municipal corporation governed under the laws prescribed by the state of Oregon, charged with educating students. A seven-member board of directors is locally elected and is authorized to establish policies governing the operations of the College. It is legally separate and fiscally independent from all other state and local governments. The College is not included in any other governmental reporting entity.

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 GASB Statements No.14 and No. 39, the College includes one discretely presented component unit in its financial statements: the Clatsop 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, 2013. Financial information about the Foundation may be obtained from the Foundation at 1651 Lexington Avenue, Astoria, OR 97103.

Implementation of New Standard (GASB 65)

The College implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the fiscal year ended June 30, 2014. GASB 65 amended or superseded the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. Certain items that were previously reported as assets and liabilities are now classified as deferred outflows or deferred inflows of resources, and certain items are now recognized as expenses or revenue in the period incurred. As a result of the implementation, the College reclassified \$229,706 previously recorded as prepaid debt issuance costs to an expense in fiscal year 2014.

Significant Accounting Policies

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The following is a summary of the more significant policies.

Basis of Accounting

The basic financial statements are prepared on the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All significant intra-agency transactions have been eliminated.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash consists of petty cash, cash on deposit with banks, and funds invested with the Oregon State Treasurer's Local Government Investment Pool (LGIP), all carried at cost, which approximates fair market value.

The Foundation considers all liquid investments with an original maturity of three months or less to be cash equivalents, excluding amounts whose use is limited by the board of directors or donor designations.

Restricted Cash and Investments

Current restricted cash for the College consists of funds for other grant projects (\$3,203) and clubs and organizations (\$55,224). Noncurrent restricted cash consists of the Adult Student Housing (ASH) funds for phase 3 of the strategic plan dedicated to the Patriot Hall Redevelopment Project (\$946,611). All funds of the Foundation are in depository accounts at June 30, 2014.

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.

Inventories

Inventories consist of items held for resale by the bookstore, cafeteria, and print shop. They are stated at cost determined on a first-in, first-out method.

Receivables

All accounts receivable related to student tuition and fees are shown net of an allowance for uncollectible accounts.

Property, Buildings, and Equipment

Property, buildings, and equipment with an acquisition cost in excess of \$5,000 are capitalized at cost or estimated historical cost if purchased, or estimated fair market value at the time received in the case of gifts.

Depreciation on College buildings and equipment is recorded using the straight-line method over the following useful lives:

Computers and Other Technical Equipment	3 Years
Vehicles and All Other Equipment	7 Years
Library Materials and Land Improvements	10 Years
Building and Improvements	40 Years

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Wages and Payroll Costs

Contracts for faculty begin in September and end in mid-June. All other employee agreements begin July 1 for the ensuing fiscal year and end June 30. All salaries are paid over 12 months. The salary amounts due for payment in July and August are included in accrued liabilities. Benefit payments for July and August are not accrued but rather expensed as paid. The accrued wages at June 30, 2014 were \$288,613.

Compensated Absences

Sick leave accumulates, but does not vest until illness occurs. Neither the leave days nor monetary compensation is available upon termination of employment; therefore, no liability for unused sick leave is recorded in the financial statements.

Effective July 1, 2004, classified employees may only carry forward the number of vacation hours they have accrued in the previous year. The amount of accrued vacation for classified employees at June 30, 2014 was \$49,078.

Effective July 1, 2005, the same requirement was implemented for service and supervisory and administrative employees. The amount of accrued vacation for service and supervisory employees at June 30, 2014 was \$160,263.

The College accrues the expense for accumulated vested vacation leave and recognizes the liability as of the end of the fiscal year. The total accumulated vacation liability is included with payroll liabilities on the statement of net position and was \$209,341 at June 30, 2014.

Tuition and Fees and Unearned Revenue

Tuition and fees include all assessments to students for educational and general purposes. It is stated net of institutional aid provided to students. The College's fiscal year begins with summer term and ends with spring term. Tuition and fees received prior to July 1, 2014 for the College's 2014-2015 summer and fall terms are recorded as unearned revenue. Unearned revenue from tuition and fees was \$621,417 at June 30, 2014.

Retirement Plans

The College offers several retirement options to qualifying employees: 1) the Oregon State Public Employees Retirement System (PERS), and 2) 403(b) tax-sheltered annuity plans. The expense and liability for contributions to these plans are recorded in the fiscal year in which they are withheld from employees.

Special Retirement Benefits

Until July 1, 2004, the College offered postemployment stipends under a voluntary early retirement program to faculty and classified employees who met certain criteria. Effective July 1, 2004, this postemployment stipend was no longer available to service and supervisory and administrative employees. Postemployment stipends are expensed as paid.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Retirement Benefits (Continued)

Premium costs of postemployment health insurance are subsidized. Effective July 1, 2004, the amount is capped at the amount of the medical premium the College paid for faculty and classified employees at the time of retirement. This same provision is effective for service and supervisory and administrative employees as of July 1, 2004. Postemployment subsidies of premiums for health insurance are expensed as paid.

Employees hired on or after July 1, 2004, are not eligible to apply for or receive any benefits under this provision.

Other Postemployment Benefits Obligation

The College implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2009. The net OPEB obligation is recognized as a noncurrent liability in the statement of net position. See Note 6 for more details.

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.

Net Position

The College's net position is classified as follows:

Investment in capital assets – This represents the College's total investment in capital assets, net of accumulated depreciation and related debt.

Restricted – This includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted – This includes resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, Federal Family Education Loans, and TRIO Programs.

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.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues

Operating revenue includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, and (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions (a transaction in which the College receives value without directly giving equal value in return). This includes (1) local property taxes, (2) state appropriations, (3) most federal, state, and local grants and contracts and federal appropriations, and (4) gifts and contributions.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

As mandated by Oregon statutes, a budget was prepared by the College administration and budget officer. The budget committee, with public input, considered and approved the budget for transmittal to the board of directors on May 21, 2013. After public notices and a hearing, the final budget was adopted, appropriations made, and a tax levy declared by the board of directors on June 11, 2013. The budget was amended by the board on June 10, 2014.

Expenditures, as amended, are appropriated at the following levels of control for each fund:

	General	Restricted (Grants/ Financial Aid)	Auxiliary	Unexpended Plant	Plant/Debt Service	Non-Plant Debt
Total Instruction	X	X	X			
Total Support Services	X	X	X			
Total Enterprise and Community Services	X	X	X			
Total Facilities Acquisition and Construction				X	X	
Total Other Uses	X	X				X
Total Unappropriated Ending Fund Balance	X			X		

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Expenditures and transfers cannot legally exceed appropriations except in the case of grants that cannot be estimated at the time of budget adoption.

Supplemental budgets were advertised as required. After public hearings these budgets were approved by the board. Other budget adjustments not requiring public hearings were also approved by the board. For the year ended June 30, 2014, the College was in compliance with ORS 294.456(6).

Details on budgeted and actual amounts can be found in the supplementary information.

NOTE 3 CASH AND INVESTMENTS

Total cash and investments at June 30, 2014, were comprised of the following:

	Total Primary Government	Component Unit Clatsop Community College Foundation
Cash and Cash Equivalents:		
Cash on Hand	\$ 4,850	\$ -
Deposits	418,166	224,071
Investments	2,702,968	2,838,373
Total	<u>\$ 3,125,984</u>	<u>\$ 3,062,444</u>

Policies

The College has adopted an investment policy that states investments will be in accordance with Oregon Revised Statutes.

Interest Rate Risk – The College reports the following investments and maturities at June 30, 2014:

	Fair Value	180 Days
Local Government Investment Pool	<u>\$ 2,702,968</u>	<u>\$ 2,702,968</u>

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits

Custodial credit risk on deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. In order to minimize this risk, statute requires cash on deposit in any one bank not exceed federal depository insurance without procuring collateral certificates of participation from the bank's pool manager. State law requires each certificate of participation be collateralized with eligible securities up to 25 percent of the amount of the certificate. The College was in compliance with this statutory requirement throughout the year, and none of the College's June 30, 2014 bank balance was exposed to custodial credit risk because it was adequately insured and collateralized. The state provides a list of qualified depositories, and the College Board approves a list of depositories from this list in July each year.

Concentration of Credit Risk

College investments are entirely maintained in the local government investment pool (LGIP). The LGIP is not rated.

Concentration of credit risk for the Foundation investments is the risk of loss attributable to the magnitude of an investment in a single issuer. The Foundation's assets are invested in consultation with a professional investment management consultant and in accordance with a written investment policy. The written policy provides that the Foundation's assets shall be diversified to minimize the risk of large losses. Currently, the Foundation's assets are invested with several fund managers whose performance is monitored by the independent investment management consultant and the investment committee of the Foundation. All Foundation investments are held in the Foundation's name.

Local Government Investment Pool

The State Treasurer of the state of Oregon maintains the Oregon Short-Term Fund (OSTF), of which the LGIP is a part. The OSTF is a cash and investment pool available for use by all state funds and eligible local governments. The OSTF is managed by the Investment Division of the Oregon State Treasury within the guidelines established in the OSTF Portfolio Rules. The LGIP is an open-ended, no-load diversified portfolio offered to eligible participants who by law are made custodian of, or have control over, any public funds. At June 30, 2014, the fair value of College deposits with LGIP approximates cost. The OSTF financial statements and the OSTF Portfolio Rules can be obtained at www.ost.state.or.us.

Foundation Investments

The Foundation's investments are recorded at fair value and consisted of the following at June 30, 2014:

Bonds	\$ 448,077
Equities	1,592,659
Government Obligations	41,390
Other Assets	2,363
Real Estate Investment Trusts	27,818
Mutual Funds - Equity	525,551
Treasuries	200,515
Total Investments at Fair Value	<u>\$ 2,838,373</u>

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 RECEIVABLES

Property Taxes

Clatsop County assesses and collects all property taxes for the College. Taxes are assessed on all taxable property in the county. Property taxes are levied and also become a lien on July 1. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the tax is paid in full prior to November 15; taxes unpaid and outstanding after May 16 are considered delinquent. Due to the fact that property may be seized and sold to satisfy any unpaid taxes, all taxes receivable at year-end are considered collectible. Property tax receivables were as follows:

Levy Year	Balance June 30, 2013	Levy	Discounts, Interest, and Adjustments	Collections	Balance June 30, 2014
2013-2014	\$ -	\$ 4,361,849	\$ (121,914)	\$ 4,061,662	\$ 178,272
2012-2013	236,968	-	(2,977)	102,451	131,540
2011-2012	109,498	-	(411)	44,640	64,447
2010-2011	69,691	-	(329)	49,011	20,350
2009-2010	34,168	-	(1,899)	26,181	6,087
2008-2009	10,307	-	(3,402)	2,066	4,839
2007-2008	2,206	-	(70)	1,110	1,026
Prior	6,467	-	(13)	1,137	5,317
Total	469,304	<u>\$ 4,361,849</u>	<u>\$ (131,016)</u>	<u>\$ 4,288,258</u>	411,879
Cash in Hands of County Agent at June 30	92,480				115,082
Taxes Receivable	<u>\$ 561,784</u>				<u>\$ 526,960</u>

Governmental

The governmental receivables include \$276,729 in timber revenues and \$215,031 in various federal and state grants or contracts.

Student

This account includes three kinds of receivables: amounts owed by students and agencies for tuition and fees (\$514,657), amounts owed by students in collections and amounts returned due to insufficient funds (\$137,297), and amounts owed by agencies (\$44,759) for other services provided by the College. Amounts owed by agencies are considered to be fully collectible. An estimated bad debt allowance is included (\$28,269) for student accounts. Net student accounts receivable as of June 30, 2014 was \$668,444.

Long-Term Note Receivable

On September 29, 2008, the College entered into a federally approved New Market Tax Credits (NMTC) plan where Oregon Community College Association (OCCA) facilitated the transaction. OCCA entered into a note receivable from ShoreBank Cascadia Development Fund III, LLC and a note payable to the College in equal amounts of \$7,583,779. The note receivable matures September 10, 2015. The transaction is not expected to financially impact OCCA or the College.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS

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. 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 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, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling 503-598-7377.

The College requires members of PERS to contribute 6 percent of their salary covered under the plan. In addition, the College is required to contribute at an actuarially determined rate. The rate for Tier One/Tier Two employees at June 30, 2014 is 10.24 percent of salary covered under the plan, adjusted for side account rate relief (7.79 percent).

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.

- 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, 2014 is 10.24 percent, adjusted for the side account rate relief (7.79 percent).
- 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 percent 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.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Annual Pension Cost – In 2005, the College issued pension bonds in the amount of \$7,240,000, creating a pension obligation and amortization of this obligation started in 2006. The College's annual pension cost and net pension asset for the year ended June 30, 2014, were as follows:

Annual Required Contribution (ARC)	\$ 402,261
Interest Earned on Net Pension Asset	(299,273)
Adjustment to the ARC	349,090
Annual Pension Costs	452,078
Contributions Made	(323,228)
Decrease in Net Pension Asset	128,850
Net Pension Asset - Beginning of Year	6,084,002
Net Pension Asset - End of Year	\$ 5,955,152

All OPERS participating employers are required by law to submit the contributions as adopted by the PERB. For the fiscal year ended June 30, 2014, the College made required contributions to PERS (\$731,816) and funded pension obligations (\$491,812).

Fiscal Year Ended	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Asset
6/30/2008	\$ 444,784	\$ 296,460	67%	\$ 6,687,466
6/30/2009	438,979	315,372	72%	6,563,859
6/30/2010	433,584	317,057	73%	6,447,332
6/30/2011	453,991	320,045	70%	6,313,386
6/30/2012	471,220	356,836	76%	6,199,002
6/30/2013	449,382	334,382	74%	6,084,002
6/30/2014	452,078	323,228	71%	5,955,152

Tax Sheltered Annuities

Voluntary tax sheltered 403(b) annuity plans are available to College employees. Regular full-time employees are eligible to participate. The maximum contribution for calendar year 2013 is \$17,500 and for calendar year 2014 is \$17,500, with higher levels for employees over age 50.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Early Retirement Plan/Postemployment Benefits

Prior to July 1, 2004, the College offered early retirement stipends to its regular employees. A regular employee is an administrative, service/supervisory, or classified staff member who works a minimum of 20 hours per week over a 12-month period or the equivalent. Faculty members are also considered regular employees. The plan was not automatic, and each request required approval by the board of directors.

To be eligible, an employee must have been eligible to receive PERS retirement benefits and have been employed as a regular employee a minimum of 10 consecutive years immediately preceding application for early retirement benefits.

Effective July 1, 2004, the early retirement stipend was no longer available to faculty and classified employees. Effective July 1, 2004, the early retirement stipend was no longer available to service/ supervisory and administrative employees.

The cost of the early retirement stipend (stipend and FICA) for 2013-2014 was \$20,947 for three retirees.

Premium costs of postemployment health insurance are also subsidized; however, effective July 1, 2004, the amount is capped at the medical premium amount the College is paying for faculty and classified employees at the time of retirement. This same provision is effective for service/supervisory and administrative employees as of July 1, 2004. Coverage may also include dependents and spouses. Postemployment subsidies of premiums for health insurance are expensed as paid. The cost of the postemployment health insurance for 2013-2014 was \$96,867 for 17 retirees.

Faculty or classified employees hired on or after July 1, 2004 are not eligible to apply for or receive any early retirement benefits. Service/supervisory and administrative employees hired on or after July 1, 2004 are not eligible to apply for or receive any early retirement benefits.

In accordance with the requirements of GASB Statement No. 45, the College had an independent actuarial valuation completed for this program as of June 30, 2012. The report included the plan's funded status, the ARC as defined by GASB No. 27 and GASB No. 45 for 2013-2014, an estimation of future cash flows and their present value, and an actuarial accrued liability. The College used the report of actuarial valuation as of June 30, 2012 to prepare information for the plan year ended June 30, 2014.

The College stipends and health premiums are expensed as paid. The College has not funded the liability beyond the annual amount.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Early Retirement Plan/Postemployment Benefits (Continued)

The ARC represents a level of fund that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following table shows the components of the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's OPEB obligation to the plan.

	<u>Health</u>	<u>Stipend</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 134,472	\$ 5,254	\$ 139,726
Interest on Net OPEB Obligation (BOY)	3,180	71	3,251
Adjustment to ARC for Net OPEB Obligation	<u>(12,062)</u>	<u>(817)</u>	<u>(12,879)</u>
Annual OPEB Cost	125,590	4,508	130,098
Expected Contributions	<u>(100,472)</u>	<u>(3,845)</u>	<u>(104,317)</u>
Increase (Decrease) in Net OPEB Obligation	25,118	663	25,781
Net OPEB Obligation - July 1, 2013	<u>105,975</u>	<u>2,380</u>	<u>108,355</u>
Net OPEB Obligation - June 30, 2014	<u><u>\$ 131,093</u></u>	<u><u>\$ 3,043</u></u>	<u><u>\$ 134,136</u></u>

Trend information for the annual OPEB and pension cost, the percentage of OPEB and pension cost contributed to the Plan, and the net OPEB and pension obligation is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2012	\$ 127,428	\$ 115,531	90.66%	\$ 95,952
6/30/2013	126,431	116,407	92.07%	105,975
6/30/2014	125,590	100,472	80.00%	131,093

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Annual Contribution</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/2012	\$ 2,278	\$ 7,752	340.28%	\$ 4,027
6/30/2013	3,993	5,640	141.25%	2,380
6/30/2014	4,508	3,845	85.29%	3,043

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Early Retirement Plan/Postemployment Benefits (Continued)

The unfunded actuarial accrued liability (UAAL) for the plans as of June 30, 2014 is provided below:

	Health	Stipend
Actuarial Value of Plan Assets	\$ -	\$ -
Actuarial Accrued Liability (AAL)	\$ 935,435	\$ 15,308
Unfunded AAL	\$ 935,435	\$ 15,308
Funded Ratio	0.00%	0.00%
Covered Payroll	\$ 2,225,470	\$ -
UAAL as a % of Covered Payroll	42.03%	NA

The above noted actuarial accrued liabilities were based on the June 30, 2012 actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plans and the annual required contribution 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 as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The Entry Age Normal Cost Method is used to determine the actuarial accrued liability and the normal cost. Under this method, the actuarial present value of the projected benefits of each active employee included in the valuation is allocated on a level dollar basis over the service of the active employee between assumed entry age (date of hire) and assumed exit age(s). The portion of this actuarial present value allocated to the valuation year is called the normal cost for that active employee. The sum of these individual normal costs is the plan's normal cost for the valuation year. The present value of benefits for current retirees plus the accumulated value of all prior normal costs is the actuarial accrued liability. The excess of the actuarial accrued liability over plan assets is the unfunded actuarial accrued liability (UAAL). The total UAAL for the OPEB plan is amortized over a 10-year open amortization period and the UAAL for the stipend plan is amortized over a three-year open amortization period. Under this method, the actuarial gains (losses), as they occur, reduce (increase) the UAAL while leaving the normal cost unchanged.

The following assumptions were made:

Interest discount – A 3.0 percent discount rate is used based on the assumption that the College's OPEB and stipend plans will remain unfunded.

Premiums – Health care premiums for future retirees are based on blended rates of current plans, assuming that future election patterns will follow those made by current retirees.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Early Retirement Plan/Postemployment Benefits (Continued)

Trends – Medical premiums increase by 9 percent in 2013/14, then 0.5 percent less each subsequent year until they are increasing at 5 percent per year.

Insurance cap – The College’s insurance cap was negotiated in the faculty contract through June 30, 2016. Increases to the College’s contribution cap in future years are subject to negotiation. An annual increase of 5 percent is assumed for the cap beyond the 2016-2017 year.

Historical premiums – Past premiums for single coverage are assumed to be 60 percent of the College’s cap in effect at that time. In the event that a current retiree’s coverage changes from two-party to single coverage, the College’s contribution for that retiree is projected to decrease to this assumed single premium.

FICA tax – Stipend payments and lump sums paid under the closed plan have been increased by 7.65 percent to reflect the FICA tax paid by the College.

Demographic assumptions – Rates of mortality, retirement, and withdrawal are generally the same rates that were used for school district employees in the December 31, 2010 actuarial valuation of the Oregon PERS. Active employees are assumed to delay retirement until they are eligible for the early retirement plan. Once an active employee has satisfied these requirements, it is assumed that they do not terminate employment other than for retirement or death.

Covered spouse – 35 percent of future retirees will cover a spouse or domestic partner. Male spouses are assumed to be two years older than female spouses when date of birth is not provided.

Entrance and persistence – 100 percent of future retirees eligible for the college-paid OPEB plan will elect to continue their health care coverage. Of the retirees receiving subsidized health care benefits, one percent will drop coverage each year due to all causes, including mortality.

NOTE 7 RESTRICTED NET POSITION

Primary Government

The College received funds from a settlement of a lawsuit related to student housing. These funds have been approved for use on the Patriot Hall Redevelopment Project, which is phase 3 of the Facilities Strategic Plan. Earnings are to be used to provide or supplement student housing for the College students. As of June 30, 2014, the balance of \$946,611 is included in restricted net position - expendable. In addition, the balance includes \$1,565,339 in funds restricted for the Jerome Campus Redevelopment Project.

Clatsop Community College Foundation

Restricted net position – expendable of \$2,271,335 and restricted net position – unexpendable of \$584,697 in the Foundation are primarily for scholarships.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 PROPERTY, BUILDINGS, AND EQUIPMENT

Primary Government

The College established an inventory of property, buildings, and equipment at estimated historical cost, from College records and efforts of an appraisal firm, as of June 30, 1988. The following changes occurred in property, buildings, and equipment owned by the College between June 30, 2013 and 2014:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Capital Assets not Being Depreciated:				
Land and Improvements	\$ 85,535	\$ -	\$ -	\$ 85,535
Total Capital Assets not Being Depreciated	85,535	-	-	85,535
Capital Assets Being Depreciated:				
Buildings	41,902,488	9,072	-	41,911,560
Land Improvements	166,599	-	-	166,599
Equipment	2,265,300	76,612	80,500	2,261,412
Library Books	138,801	8,477	-	147,278
Total Capital Assets Being Depreciated	44,473,188	94,161	80,500	44,486,849
Less Accumulated Depreciation for:				
Buildings	6,679,119	1,024,985	-	7,704,104
Land Improvements	33,320	16,660	-	49,980
Equipment	2,200,368	42,626	80,500	2,162,494
Library Books	131,528	6,528	-	138,056
Total Accumulated Depreciation	9,044,335	1,090,799	80,500	10,054,634
Total Capital Assets Being Depreciated	35,428,853	(996,638)	-	34,432,215
Capital Assets, Net	<u>\$ 35,514,388</u>	<u>\$ (996,638)</u>	<u>\$ -</u>	<u>\$ 34,517,750</u>

Clatsop Community College Foundation

The Foundation has no property, buildings, and equipment as of June 30, 2014.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT

The College has the following long-term debt arrangements:

Notes Payable – Physical Plant

Note payable to the City of Astoria for \$331,657 at 5.01% for MERTS waterline improvements, dated May 13, 1999, with semi-annual payments of \$13,223, scheduled maturity date of November 2018; secured by the improvements	\$ 126,149
Less: Principal Payments 2013-2014	(20,430)
Balance, June 30, 2014	<u>\$ 105,719</u>

Note payable to the ShoreBank Enterprise Pacific Coast III, LLC, for \$10,451,231 for New Market Tax Credits financing for the Jerome Campus Redevelopment Project, dated September 29, 2008, with one payment of \$10,451,231 due on September 10, 2015 (interest rate of 2.61865%); secured by certain pledged accounts	\$ 10,451,231
Less: Principal Payments 2013-2014	-
Balance, June 30, 2014	<u>\$ 10,451,231</u>

Bonds Payable – Facilities

Facilities bonds payable are direct obligations that pledge the full faith and credit of the College. Funds provided by the bonds are being used to improve College facilities and were approved by the board on August 6, 2007 to meet state of Oregon requirements to receive matching funds for construction. The College has presented these funds to the state to satisfy its matching requirement. Funds from the state will be available once all of the College's funds are expended. Payments for the debt are secured by the assets of the College.

Bond payable to Wells Fargo, Trustee, for \$7,500,000 at 4.25% for acquisition of land, site preparation, and development costs for a new campus in the greater Astoria region of Oregon, and to pay the costs of issuance of the obligations, dated August 3, 2006, with scheduled interest and principal payments due semi-annually through June 30, 2026	\$ 5,585,000
Less: Principal Payments 2013-2014	(330,000)
Balance, June 30, 2014	<u>\$ 5,255,000</u>

General Obligation Bonds, Series 2009, payable to Wells Fargo, Trustee, for \$5,000,000 at 3.0% to 4.2%, dated February 3, 2009, with scheduled interest and principal payments due semi-annually through June 30, 2029	\$ 4,700,000
Less: Principal Payments 2013-2014	(150,000)
Balance, June 30, 2014	<u>\$ 4,550,000</u>

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Tax Anticipation Note – Cash Flow

Bond payable - Revenue and Tax Anticipation Note. Bonds payable to US Bank, Trustee, for \$1,275,000 at 0.25% short-term tax and revenue anticipation promissory note, Series 2014A, maturity date December 31, 2014

	\$ 1,275,000
Balance, June 30, 2014	\$ 1,275,000

Bonds Payable – PERS

PERS bonds are direct obligations that pledge the full faith and credit of the College. Funds provided by the PERS bonds were used to prepay the College's pension unfunded actuarial liability (UAL). Payments are secured by an intra-governmental agreement whereby payments are taken from the quarterly state appropriation prior to receipt by the College.

Bond payable to Wells Fargo, Trustee, for \$7,240,000 at 4.6% for paying PERS unfunded actuarial liability, dated June 9, 2005, with scheduled interest and principal payments due semi-annually through June 30, 2028

	\$ 6,840,000
Less: Principal Payments 2013-2014	(165,000)
Balance, June 30, 2014	\$ 6,675,000

The schedule of future requirements for payment of principal and interest on these obligations are as follows for the years ending June 30:

	Total		City of Astoria				Facilities		Facilities		Facilities		Tax Anticipation Note	
			Waterline		PERS Bonding		Wells Fargo		GO Bonds		NMTC - ShoreBank		Wells Fargo	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,006,467	\$ 739,793	\$ 21,467	\$ 4,979	\$ 195,000	\$ 319,151	\$ 345,000	\$ 236,031	\$ 170,000	\$ 179,632	\$ -	\$ -	\$ 1,275,000	\$ -
2016	11,243,787	709,887	22,556	3,890	230,000	310,097	355,000	221,368	185,000	174,532	10,451,231	-	-	-
2017	863,700	675,577	23,700	2,746	270,000	299,418	370,000	206,281	200,000	167,132	-	-	-	-
2018	934,902	641,039	24,902	1,544	310,000	286,882	385,000	191,481	215,000	161,132	-	-	-	-
2019	1,008,094	602,406	13,094	304	355,000	272,489	405,000	176,081	235,000	153,532	-	-	-	-
2020-2024	6,360,000	2,258,283	-	-	2,590,000	1,061,333	2,310,000	579,050	1,460,000	617,900	-	-	-	-
2025-2029	5,895,000	654,833	-	-	2,725,000	307,493	1,085,000	73,800	2,085,000	273,540	-	-	-	-
	<u>\$ 28,311,950</u>	<u>\$ 6,281,818</u>	<u>\$ 105,719</u>	<u>\$ 13,463</u>	<u>\$ 6,675,000</u>	<u>\$ 2,856,863</u>	<u>\$ 5,255,000</u>	<u>\$ 1,684,092</u>	<u>\$ 4,550,000</u>	<u>\$ 1,727,400</u>	<u>\$ 10,451,231</u>	<u>\$ -</u>	<u>\$ 1,275,000</u>	<u>\$ -</u>

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Other Long-Term Obligation – Facilities

The College entered into a federally approved New Market Tax Credits (NMTC) plan which resulted in the obligation to pay a management fee to ensure compliance with federal regulations.

Obligation payable to ShoreBank Enterprise Pacific Coast III, LLC,
for management fees related to NMTC financing compliance,
dated October 22, 2008, with no interest due with scheduled
payments, due quarterly through July 2015

	\$ 295,104
Less: Payments 2013-2014	(130,956)
Balance, June 30, 2014	\$ 164,148

Changes in Long-Term Liabilities

A summary of long-term liability activity follows:

	July 1, 2013 Beginning Balance	Additions	Reductions	June 30, 2014 Ending Balance	Due Within One Year
Notes Payable	\$ 10,577,380	\$ -	\$ 20,430	\$ 10,556,950	\$ 21,467
Bonds Payable	17,125,000	-	645,000	16,480,000	710,000
Bond Premium	122,591	-	8,990	113,601	8,990
Tax Anticipation Note	1,595,000	1,275,000	1,595,000	1,275,000	1,275,000
Other Long-Term Obligations	295,104	-	130,956	164,148	131,301
Total	\$ 29,715,075	\$ 1,275,000	\$ 2,400,376	\$ 28,589,699	\$ 2,146,758

NOTE 10 OPERATING LEASES

The following is an analysis of operating leases for the years ending June 30:

	Key Government Virtual Server		Wells Fargo Copier	ABECO Copier Maint.	DSL		Olstedt SCC
	Principal	Interest			MERTS	Dock	
2015	\$ 20,546	\$ 800	\$ 3,137	\$ 4,695	\$ 13,258	\$ 318	\$ 19,271
2016	-	-	-	-	13,656	328	19,733
2017	-	-	-	-	14,066	338	20,325
2018	-	-	-	-	14,488	348	20,935
2019	-	-	-	-	14,922	358	7,047
2020-2024	-	-	-	-	81,601	1,959	-
2025-2029	-	-	-	-	94,598	-	-
2030-2032	-	-	-	-	41,932	-	-
	\$ 20,546	\$ 800	\$ 3,137	\$ 4,695	\$ 288,521	\$ 3,649	\$ 87,311

Rent expense for the year ended June 30, 2014 was \$85,810.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 BOARD CONFLICT OF INTEREST

The College's board of directors is made up of seven elected members. The College did not purchase any supplies from any of the board members during fiscal year 2013-2014.

NOTE 12 SUBSEQUENT EVENTS

In August 2014, a \$5,000,000 advance refunding of Full Faith and Credit Obligation (FFCO) issued in 2006 was completed. The advance refunding reduces annual debt payments by an average of \$30,000 and will save more than \$315,000 over the remaining debt term.

In 2013, legislation approving \$7.990 million for the Patriot Hall Redevelopment Project, which represents phase 3 of the Facilities Master Plan. On November 4, 2014, the voters approved an \$8.2 million general obligation bond to be used as the required match for this project.

REQUIRED SUPPLEMENTARY INFORMATION

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
YEAR ENDED JUNE 30, 2014**

OPEB

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	EAN Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a) / (c)
June 30, 2009	\$ -	\$ 1,274,469	\$ 1,274,469	0.00%	\$ 3,274,850	38.92%
June 30, 2012	-	935,435	935,435	0.00%	2,225,470	42.03%

Pension

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	EAN Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a) / (c)
June 30, 2009	\$ -	\$ 85,850	\$ 85,850	0.00%	-	NA
June 30, 2012	-	15,308	15,308	0.00%	-	NA

SUPPLEMENTARY INFORMATION

**CLATSOP COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 2014**

	Current Funds		Plant Funds			Long-Term Debt	Clubs and Organizations Fund	Total All Primary Funds (Memorandum Only)	
	Unrestricted	Restricted	Unexpended	JCRP	Retirement of Indebtedness				Investment in Plant
ASSETS									
Cash and Investments	\$ 716,906	\$ 3,203	\$ 957,501	\$ 1,308,561	\$ -	\$ -	\$ 84,587	\$ 55,224	\$ 3,125,982
Receivables:									
Property Taxes	526,960	-	-	-	-	-	-	-	526,960
Governmental	491,760	-	-	-	-	-	-	-	491,760
Student Receivables (Less Allowance for Doubtful Accounts)	668,444	-	-	-	-	-	-	-	668,444
Inventories	136,050	-	-	-	-	-	-	-	136,050
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-
Note Receivable from Auxiliary Funds	205,000	-	-	-	-	-	-	-	205,000
Note Receivable from OCCA	-	-	-	9,243,588	-	-	-	-	9,243,588
Property, Buildings, and Equipment:									
Land	-	-	-	-	-	85,535	-	-	85,535
Land Improvements	-	-	-	-	-	166,599	-	-	166,599
Accumulated Depreciation	-	-	-	-	-	(49,980)	-	-	(49,980)
Buildings	-	-	-	-	-	41,911,560	-	-	41,911,560
Accumulated Depreciation	-	-	-	-	-	(7,704,104)	-	-	(7,704,104)
Equipment	-	-	-	-	-	2,261,412	-	-	2,261,412
Accumulated Depreciation	-	-	-	-	-	(2,162,494)	-	-	(2,162,494)
Library Books	-	-	-	-	-	147,278	-	-	147,278
Accumulated Depreciation	-	-	-	-	-	(138,056)	-	-	(138,056)
Other Assets	34,984	53,579	12,020	-	-	-	5,955,152	-	6,055,735
Total Assets	<u>\$ 2,780,104</u>	<u>\$ 56,782</u>	<u>\$ 969,521</u>	<u>\$ 10,552,149</u>	<u>\$ -</u>	<u>\$ 34,517,750</u>	<u>\$ 6,039,739</u>	<u>\$ 55,224</u>	<u>\$ 54,971,269</u>
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts Payable	\$ 46,379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,379
Accrued Liabilities	834,780	-	-	-	-	-	-	-	834,780
Miscellaneous Deposits	2,789	-	-	-	-	-	-	-	2,789
Due to Student Groups and Agencies	30,000	-	-	-	-	-	-	-	30,000
Short-Term Note Payable	1,275,000	-	-	-	-	-	-	-	1,275,000
Deferred Revenues	641,719	56,782	-	-	-	-	-	55,224	753,725
Accrued Interest Payable	-	-	-	50,853	-	-	-	-	50,853
Other Miscellaneous Liabilities	-	-	-	113,601	-	-	-	-	113,601
Other Liabilities	9,346	-	-	164,148	-	-	-	-	173,494
Long-Term Debt:									
Note Payable to General Fund	205,000	-	-	-	-	-	-	-	205,000
Note Payable to ShoreBank (NMTC)	-	-	-	12,126,787	-	-	-	-	12,126,787
Other Postemployment Benefits	134,136	-	-	-	-	-	-	-	134,136
Bond Payable	-	-	-	9,805,000	-	-	6,675,000	-	16,480,000
Waterline Improvement Note to City of Astoria	-	-	-	-	-	105,719	-	-	105,719
Total Liabilities	<u>3,179,149</u>	<u>56,782</u>	<u>-</u>	<u>22,260,389</u>	<u>-</u>	<u>105,719</u>	<u>6,675,000</u>	<u>55,224</u>	<u>32,332,263</u>
Fund Balances									
Unrestricted	(399,045)	-	22,910	-	-	-	(635,261)	-	(1,011,396)
Restricted - Expendable	-	-	946,611	1,565,339	-	-	-	-	2,511,950
Net Investment in Plant	-	-	-	(13,273,579)	-	34,412,031	-	-	21,138,452
Total Fund Balances	<u>(399,045)</u>	<u>-</u>	<u>969,521</u>	<u>(11,708,240)</u>	<u>-</u>	<u>34,412,031</u>	<u>(635,261)</u>	<u>-</u>	<u>22,639,006</u>
Total Liabilities and Fund Balances	<u>\$ 2,780,104</u>	<u>\$ 56,782</u>	<u>\$ 969,521</u>	<u>\$ 10,552,149</u>	<u>\$ -</u>	<u>\$ 34,517,750</u>	<u>\$ 6,039,739</u>	<u>\$ 55,224</u>	<u>\$ 54,971,269</u>

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014**

	Current Funds			Plant Funds			Debt Service Fund	Clubs and Organizations Fund	Total All Funds (Memorandum Only)	
	Unrestricted	Restricted	Total	Unexpended	JCRP	Retirement of Indebtedness				Investment in Plant
REVENUES										
Local Sources	\$ 4,173,297	\$ 264,781	\$ 4,438,078	\$ 629,153	\$ -	\$ 334,631	\$ -	\$ 590,080	\$ -	\$ 5,991,942
State Appropriations	1,523,187	465,833	1,989,020	-	-	-	-	-	-	1,989,020
Government Grants and Contracts	5,085	6,063,174	6,068,259	-	-	-	-	-	-	6,068,259
Tuition and Fees	3,356,360	17,891	3,374,251	-	-	-	-	-	-	3,374,251
Investment Income	11,436	-	11,436	5,363	312,585	-	-	1,336	-	330,720
Auxiliary Revenue	368,623	-	368,623	-	-	-	-	-	-	368,623
Other Additions	386,052	66,450	452,502	-	8,990	-	114,591	-	27,330	603,413
Total Revenues	9,824,040	6,878,129	16,702,169	634,516	321,575	334,631	114,591	591,416	27,330	18,726,228
EXPENDITURES AND MANDATORY TRANSFERS										
Educational and General:										
Instruction	3,730,061	97,482	3,827,543	-	-	-	-	-	-	3,827,543
Instructional Support	1,026,551	437,290	1,463,841	-	-	-	-	-	-	1,463,841
Student Services	1,045,463	855,329	1,900,792	-	-	-	-	-	14,690	1,915,482
Institutional Support (Admin.)	2,263,407	66,450	2,329,857	-	-	-	-	-	-	2,329,857
Operation and Maintenance of Plant	1,056,197	-	1,056,197	554	-	19,775	-	-	-	1,076,526
Auxiliary Enterprises	402,234	-	402,234	-	-	-	-	-	-	402,234
Community Services	8,738	203,857	212,595	-	-	-	-	-	15,567	228,162
Depreciation and Amortization Expense	-	-	-	-	229,706	-	1,090,799	128,850	-	1,449,355
Expended for Equipment and Facilities	-	-	-	-	(482,387)	500,397	-	-	-	18,010
Interest Expense	-	-	-	-	360,308	441,807	-	326,812	-	1,128,927
Other	-	-	-	120	-	1,250	-	120	-	1,490
Financial Aid	146,471	5,223,813	5,370,284	-	-	-	-	-	-	5,370,284
Total Educational and General	9,679,122	6,884,221	16,563,343	674	107,627	963,229	1,090,799	455,782	30,257	19,211,711
NONMANDATORY TRANSFERS, NET	9,018	(6,092)	2,926	679,244	(50,645)	(628,598)	-	-	(2,927)	-
NET INCREASE (DECREASE) IN FUND BALANCES	135,900	-	135,900	(45,402)	264,593	-	(976,208)	135,634	-	(485,483)
FUND BALANCE - JUNE 30, 2013										
Unrestricted	(534,945)	-	(534,945)	22,909	-	-	-	(770,895)	-	(1,282,931)
Restricted - Expendable	-	-	-	992,014	1,616,192	-	-	-	-	2,608,206
Net Investment in Plant	-	-	-	-	(13,589,025)	-	35,388,239	-	-	21,799,214
FUND BALANCE - JUNE 30, 2014	\$ (399,045)	\$ -	\$ (399,045)	\$ 969,521	\$ (11,708,240)	\$ -	\$ 34,412,031	\$ (635,261)	\$ -	\$ 22,639,006

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET
YEAR ENDED JUNE 30, 2014**

General Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
REVENUES					
State Sources	\$ 1,523,187	\$ -	\$ 1,523,187	\$ 1,338,403	\$ 184,784
Federal Sources	5,085	-	5,085	5,000	85
Local Sources:					
Current Year Property Taxes	3,703,671	-	3,703,671	4,014,425	(310,754)
Prior Years Property Taxes	232,051	-	232,051	150,000	82,051
Tuition and Fees	3,356,360	-	3,356,360	3,816,500	(460,140)
All Other	635,063	-	635,063	887,400	(252,337)
Total Revenues	<u>9,455,417</u>	<u>-</u>	<u>9,455,417</u>	<u>10,211,728</u>	<u>(756,311)</u>
EXPENDITURES					
Instruction	3,730,061	25,448	3,755,509	3,788,461	(32,952)
Support Services	5,391,618	124,798	5,266,820	5,733,970	(467,150)
Public Service	8,738	20	8,758	13,456	(4,698)
All Other	146,471	-	146,471	216,950	(70,479)
Total Expenditures	<u>9,276,888</u>	<u>150,266</u>	<u>9,177,558</u>	<u>9,752,837</u>	<u>(575,279)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	178,529	(150,266)	277,859	458,891	(181,032)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out	(9,018)	-	(9,018)	(53,190)	44,172
Total Other Financing Sources (Uses)	<u>(9,018)</u>	<u>-</u>	<u>(9,018)</u>	<u>(53,190)</u>	<u>44,172</u>
NET CHANGES IN FUND BALANCE					
	169,511	(150,266)	268,841	405,701	(136,860)
Fund Balance - Beginning of Year	<u>172,583</u>	<u>170,429</u>	<u>343,012</u>	<u>-</u>	<u>343,012</u>
FUND BALANCE - END OF YEAR	<u>\$ 342,094</u>	<u>\$ 20,163</u>	<u>\$ 611,853</u>	<u>\$ 405,701</u>	<u>\$ 206,152</u>

GAAP adjustments are for the annual accruals for compensated absences and GASB adjustments not budgeted by the College.

General Fund

The **General Fund** accounts for all current financial resources not required to be accounted for in other funds. The major sources of revenues are property taxes, timber revenues, state school support, and tuition and fees. The major expenditures are personnel and related costs, materials and services, and capital improvements.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Auxiliary Enterprises Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
REVENUES					
Bookstore Sales	\$ 307,524	\$ 5,060	\$ 312,584	\$ 855,358	\$ (542,774)
All Other	61,099	29,746	90,845	156,595	(65,750)
Total Revenues	368,623	34,806	403,429	1,011,953	(608,524)
EXPENDITURES					
Total Instruction	49,533	-	49,533	143,537	(94,004)
Total Support Services	339,582	-	339,582	820,364	(480,782)
Total Public Service	13,119	-	13,119	48,052	(34,933)
Total Expenditures	402,234	-	402,234	1,011,953	(609,719)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(33,611)	34,806	1,195	-	1,195
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	-	-	-
NET CHANGES IN FUND BALANCE	(33,611)	34,806	1,195	-	1,195
Fund Balance - Beginning of Year	(490,824)	175,541	(315,283)	-	(315,283)
FUND BALANCE - END OF YEAR	<u>\$ (524,435)</u>	<u>\$ 210,347</u>	<u>\$ (314,088)</u>	<u>\$ -</u>	<u>\$ (314,088)</u>

Auxiliary Enterprises Fund

The ***Auxiliary Enterprises Fund*** accounts for transactions of substantially all self-supporting auxiliary activities that perform services primarily to students, faculty, and staff. These activities are financed and operated in a manner similar to private business enterprises where the intent of the governing body is to ensure that costs are financed primarily through user charges. The College uses the Auxiliary Enterprises Fund to account for the operations of its bookstore, cafeteria, and M/V Forerunner, a teaching and research vessel.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Restricted Fund	Actual Amount	Budgeted Amount	Over (Under) Budget
REVENUES			
Federal Sources	\$ 6,063,174	\$ 6,750,513	\$ (687,339)
State Sources	465,833	248,559	217,274
Local Sources	264,781	270,726	(5,945)
Tuition and Fees	17,891	13,000	4,891
Other	66,450	345,708	(279,258)
Total Revenues	<u>6,878,129</u>	<u>7,628,506</u>	<u>(750,377)</u>
EXPENDITURES			
Total Instruction	97,482	105,419	(7,937)
Total Support Services	1,359,069	1,644,906	(285,837)
Total Public Service	203,857	331,879	(128,022)
All Other	5,223,813	5,595,992	(372,179)
Total Expenditures	<u>6,884,221</u>	<u>7,678,196</u>	<u>(793,975)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,092)	(49,690)	43,598
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>6,092</u>	<u>49,690</u>	<u>(43,598)</u>
NET CHANGES IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Restricted Fund

The **Restricted Fund** consists of student financial aid programs and special grant projects. State and federal funding is received to support student financial aid programs. These programs include Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Direct and Need Based Loans, and Federal Work Study. Resources, in support of special grant projects, are received from federal, state, and local sources and expended for specific grant requirements.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Unexpended Plant Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
REVENUES					
Investment Income	\$ 317,948	\$ (312,585)	\$ 5,363	\$ 5,000	\$ 363
Timber Sales	629,153	-	629,153	700,000	(70,847)
Other	8,990	(8,990)	-	1,120,856	(1,120,856)
Total Revenues	<u>956,091</u>	<u>(321,575)</u>	<u>634,516</u>	<u>1,825,856</u>	<u>(1,191,340)</u>
EXPENDITURES					
All Other Expenditures	<u>107,628</u>	<u>74,648</u>	<u>182,276</u>	<u>1,047,257</u>	<u>(864,981)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	848,463	396,223	452,240	778,599	(326,359)
OTHER FINANCING SOURCES (USES)					
Transfers Out to Debt Service	(628,598)	-	(628,598)	(628,599)	(1)
Transfers Out to General Fund	-	-	-	(150,000)	(150,000)
Total Other Financing Sources (Uses)	<u>(628,598)</u>	<u>-</u>	<u>(628,598)</u>	<u>(778,599)</u>	<u>(150,001)</u>
NET CHANGES IN FUND BALANCE					
	219,865	396,223	(176,358)	-	(476,360)
Fund Balance - Beginning of Year	<u>(10,957,911)</u>	<u>15,382,422</u>	<u>(3,098,526)</u>	<u>-</u>	<u>3,098,526</u>
FUND BALANCE - END OF YEAR	<u><u>\$ (10,738,046)</u></u>	<u><u>\$ 15,778,645</u></u>	<u><u>\$ (3,274,884)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,622,166</u></u>

GAAP adjustments represent accrual of expenses not required to be budgeted by the College.

Unexpended Plant Fund

The ***Unexpended Plant Fund*** accounts for resources available to finance the acquisition, construction, or improvement of plant assets for the College.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Plant - Retirement of Indebtedness	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
REVENUES	\$ 334,631	\$ -	\$ 334,631	\$ 334,633	\$ (2)
EXPENDITURES	963,229	-	963,229	963,232	(3)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(628,598)	-	(628,598)	(628,599)	1
OTHER FINANCING SOURCES (USES)					
Transfers in from Unexpended Plant	628,598	-	628,598	628,599	(1)
Total Other Financing Sources (Uses)	628,598	-	628,598	628,599	(1)
NET CHANGES IN FUND BALANCE	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Plant - Retirement of Indebtedness

The ***Plant - Retirement of Indebtedness Fund*** accounts for the payment of principal, interest, and other debt service charges, including contributions for sinking funds relating to debt incurred in financing College plant assets.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Debt Service Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
REVENUES					
Other Local Revenue	\$ 590,080	\$ -	\$ 590,080	\$ 490,932	\$ 99,148
Investment Income	1,336	-	1,336	1,000	336
Total Revenues	591,416	-	591,416	491,932	99,484
EXPENDITURES	455,782	36,150	491,932	491,932	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	135,634	(36,150)	99,484	-	99,484
NET CHANGES IN FUND BALANCE	135,634	(36,150)	99,484	-	99,484
Fund Balance - Beginning of Year	(770,895)	377,260	(393,635)	-	(393,635)
FUND BALANCE - END OF YEAR	<u>\$ (635,261)</u>	<u>\$ 341,110</u>	<u>\$ (294,151)</u>	<u>\$ -</u>	<u>\$ (294,151)</u>

GAAP adjustments represent current year amortization expense not budgeted by the College.

Debt Service Fund

The **Debt Service Fund** accounts for resources used to pay for debt incurred by the College not related to physical plant borrowings.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPARED WITH BUDGET (CONTINUED)
YEAR ENDED JUNE 30, 2014**

<u>Clubs and Organizations Fund</u>	Actual Amount	Budgeted Amount	Over (Under) Budget
REVENUES			
Fees	\$ 27,330	\$ 87,984	\$ (60,654)
Total Revenues	<u>27,330</u>	<u>87,984</u>	<u>(60,654)</u>
EXPENDITURES			
Total Support Services	-	-	-
Total Other	14,690	42,231	(27,541)
Total Public Service	15,567	49,253	(33,686)
Total Expenditures	<u>30,257</u>	<u>91,484</u>	<u>(61,227)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,927)	(3,500)	573
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>2,927</u>	<u>3,500</u>	<u>(573)</u>
NET CHANGES IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Clubs and Organizations Fund

The ***Clubs and Organizations*** accounts for resources held by the College as custodian or fiscal agent for students, faculty, staff, and other organizations.

AUDITORS' COMMENTS AND REPORTS

**INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors
Clatsop Community College
Astoria, 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 Clatsop Community College (the College) as of and for the year ended June 30, 2014, and have issued our report thereon dated December 9, 2014.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clatsop 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 Clatsop 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

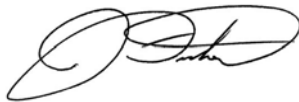
In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 Clatsop 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
December 9, 2014



John T. Fisher, CPA, CGFM
Principal
Oregon License #9781
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**INDEPENDENT AUDITORS' 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 Directors
Clatsop Community College
Astoria, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of Clatsop Community College, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Clatsop Community College's basic financial statements, and have issued our report thereon dated December 9, 2014. 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 Clatsop 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 Clatsop Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Clatsop 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clatsop 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*.

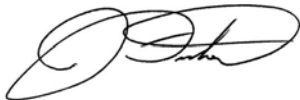
Purpose of this Report

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

CliftonLarsonAllen LLP

Bellevue, Washington
December 9, 2014



John T. Fisher, CPA, CGFM
Principal
Oregon License #9781
Municipal License #1305

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Clatsop Community College
Astoria, Oregon

Report on Compliance for Each Major Federal Program

We have audited Clatsop Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Clatsop Community College's major federal programs for the year ended June 30, 2014. Clatsop 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Clatsop 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clatsop 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 each major federal program. However, our audit does not provide a legal determination of Clatsop Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Clatsop 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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

Clatsop Community College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Clatsop Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Clatsop 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 Clatsop 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clatsop 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 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 a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

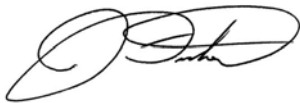
Clatsop Community College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Clatsop Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
December 9, 2014



John T. Fisher, CPA, CGFM
Principal
Oregon License #9781
Municipal License #1305

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

Name of Agency or Department	CFDA No.	Name of Program	Pass-Through Entity Identifying Number	Total Awards Expended
Primary Governmental Agency - Clatsop Community College				
U.S. Department of Labor				
	17.267	Incentive Grants - WIA Section 503 Trade Adjustment Assistance Community	IGRA0694	\$ 6,985
Passed through Clackamas Community College	17.282	College & Career Training	None	<u>213,507</u>
Total U.S. Department of Labor				<u>220,492</u>
Small Business Administration				
Passed through the Oregon Small Business Development Center Network Office	59.037	Small Business Development Center	14-144	<u>31,150</u>
Total Small Business Administration				<u>31,150</u>
U.S. Department of Education				
Direct:				
Student Financial Aid Cluster:				
	84.007	Federal Supplement Education Opportunity Grants		96,216
	84.033	Federal Work Study		83,214
	84.063	Federal Pell Grant Program		2,456,120
	84.268	Federal Direct Loans		<u>2,120,466</u>
Total Student Financial Aid Cluster				4,756,016
TRIO Grant Cluster:				
	84.042A	Student Support Services		271,717
	84.044A	Talent Search		306,282
	84.047A	Upward Bound		<u>268,551</u>
Total TRIO Cluster				<u>846,550</u>
Subtotal Direct Programs				5,602,566
Passed through Dept. of Community Colleges & Workforce Development:				
	84.002	Adult Education - State Grant Program	EE131408	93,814
	84.048	Vocational Education - Basic Grants to States	27361/27392	<u>115,152</u>
Total Passed Through				<u>208,966</u>
Total U.S. Dept of Education				<u>5,811,532</u>
Total Expenditures of Federal Awards for Clatsop Community College				<u>\$ 6,063,174</u>

See accompanying Note to Schedule of Expenditures of Federal Awards.

**CLATSOP COMMUNITY COLLEGE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Clatsop Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts report in, or used in the preparation of, the basic financial statements.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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Student Financial Aid Cluster:

84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Loans

TRIO Grant Cluster:

84.042A	Student Support Services
84.044A	Talent Search
84.047A	Upward Bound

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

Auditee qualified as low-risk auditee? yes no

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Section II - Financial Statement Findings

There were no findings required to be reported relating to financial statements for the fiscal year ended June 30, 2014.

Section III - Federal Award Findings and Questioned Costs

Finding 2014-001

Program Information

Student Financial Aid Cluster:
84.268 Federal Direct Loans
U.S. Department of Education

Criteria

Federal regulation requires the effective date of status changes reported to NSLDS to be the actual date that the status took effect. Federal regulations also require the College to report status changes within 30 days of a change in status if the new status will not be reported on a regularly scheduled enrollment status transmission within the next 60 days.

Condition Found and Context

[X] *Compliance Finding (Special Tests)* [X] *Significant Deficiency* [] *Material Weakness*

During our testing, we noted 12 out of the 25 NSLDS status changes tested were not properly reported. Statuses reported did not use the correct effective date along with some not reporting the correct enrollment status. Also, some of the status changes were not done timely.

Effect

The College did not use the actual date of enrollment status changes as the effective date for NSLDS enrollment status changes, statuses reported incorrectly and changes not reported timely. This could affect the date for which payment is due back to the government and the grace period received.

Cause

The date the registrar was aware of the change in status or made the withdrawal official is the effective date that was reported; however, the effective date should be the last date of an academically related activity for which a process was not in place for all of the 2013-14 award year. Timely reporting was caused by the College knowing a student had a status change yet was not reported as such on next transmission as status was not updated within the student information system at the time of the reporting.

Questioned Costs

None.

Recommendation

We recommend that the College put a process in place to ensure student enrollment status changes be reported with accurate effective dates and in a timely manner by ensuring the data input into the Student Information System is accurate.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 2014-001 (Continued)

Views of responsible officials and planned corrective actions

The registrar reviewed the records identified by the auditor (12) and investigated issues related to status change updates, changes received outside the 60-day window, and incorrect effective dates. Planned corrective actions include increasing the frequency of reports submitted to the National Student Clearinghouse, increasing the number of staff members with review/update privileges for NSLDS, and updating the Student Information System programming that generates the enrollment report.

Explanation of disagreement with audit finding:

There is no disagreement with the audit finding.

Actions planned in response to finding:

- Submit enrollment reports four times per term for fall, winter, and spring terms.
- Request reprogramming of the Student Information System's logic that incorrectly defines the effective date at this time based on student withdrawal date, regardless of circumstances.
- Expand access to NSLDS to include Registrar's Office, enabling staff to mitigate concerns with third-party reporting (National Student Clearinghouse), to reduce delays, and to provide additional oversight of data verification.

Responsible party:

Chris Ousley, Dean of Students and Enrollment Management

Planned completion date for corrective action plan:

- Resolution of reported errors within NSLDS will be corrected December 2014.
- Meetings with programmers will begin January 2015.
- Request for NSLDS access (Registrar's Office) will be submitted December 2014.
- Request National Student Clearinghouse review of apparent "Status" omission related to October 8, 2013 college enrollment submission. Requested December 5, 2014.

Plan to monitor completion of corrective action plan:

Monthly update meetings will be held with the Dean of Students, Office of Financial Aid and Registrar's Office until resolved.

**CLATSOP COMMUNITY COLLEGE
PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Section II – Financial Statement Findings

None recorded.

Section III - Federal Award Findings and Questioned Costs

Finding 2013-01

Program Information

Student Financial Aid Cluster:
84.268 Federal Direct Loans
U.S. Department of Education

Condition Found and Context

[X] *Compliance Finding (Special Tests)* [X] *Significant Deficiency* [] *Material Weakness*

During our testing, 22 of the 40 students tested received loan funds. We noted notifications were not sent notifying the students of a loan disbursement being made to their account.

Recommendation

We recommend that the College put a process in place to ensure all students are timely notified of federal loan funds being disbursed to their account.

Status

Implemented. No instances of noncompliance noted in the 2013-14 audit.

Finding 2013-02

Program Information

Student Financial Aid Cluster:
84.007 Federal Supplemental Educational Opportunity Grants
84.033 Federal Work Study Program
84.063 Federal Pell Grant Program
84.268 Federal Direct Loans
U.S. Department of Education

Condition Found and Context

[X] *Compliance Finding (Cash Management)* [X] *Significant Deficiency* [] *Material Weakness*

During our testing, we noted that federal funds drawn from G5 for Oregon Coast Community College (OCCC) students did not get credited to their account within three business days. In addition, we noted the disbursements of federal funds on OCCC student accounts did not distinguish the funding source of those federal aid funds.

**CLATSOP COMMUNITY COLLEGE
PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 2013-02 (Continued)

Recommendation

We recommend the College put a process in place to ensure all OCCC students' federal funds are credited to the students' accounts within three business days. In addition, we recommend OCCC include the funding source detail for all aid payments being credited to the students' account.

Status

Implemented. No instances of noncompliance noted in the 2013-14 audit.

Finding 2013-03

Program Information

Student Financial Aid Cluster:

84.007

Federal Supplemental Educational Opportunity Grants

84.033

Federal Work Study Program

84.063

Federal Pell Grant Program

84.268

Federal Direct Loans

U.S. Department of Education

Condition Found and Context

[X] *Compliance Finding (Special Tests)* [X] *Significant Deficiency* [] *Material Weakness*

During our testing, we noted that 24 out of 40 students tested had credit balances created by federal funds which were not refunded within 14 days.

Recommendation

We recommend that the College change their process of crediting student accounts prior to the start of class and refunding credit balances on the second Friday of the term to ensure credit balances will be refunded within 14 days.

Status

Implemented. No instances of noncompliance noted in the 2013-14 audit.

**CLATSOP COMMUNITY COLLEGE
PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 2013-04

Program Information

Student Financial Aid Cluster:
84.268 Federal Direct Loans
U.S. Department of Education

Condition Found and Context

[X] *Compliance Finding (Special Tests)* [X] *Significant Deficiency* [] *Material Weakness*

During our testing, we noted 4 out of the 25 NSLDS status changes tested did not use the correct effective date for withdrawals. The actual withdrawal date or start of term date did not coincide with the effective date of the status change. Also, the status changes were not done timely.

Recommendation

We recommend that the College put a process in place to ensure student enrollment status changes be reported with accurate effective dates and in a timely manner.

Status

See current year finding 2014-001.

Finding 2013-05

Program Information

Student Financial Aid Cluster:
84.063 Federal Pell Grant Program
84.268 Federal Direct Loans
U.S. Department of Education

Condition Found and Context

[X] *Compliance Finding (Reporting)* [X] *Significant Deficiency* [] *Material Weakness*

During our testing, we noted 18 out of the 37 disbursements tested on COD did not have a disbursement date that matched the date the funds were credited to the students' account.

Recommendation

We recommend the College put a process in place to ensure that disbursement dates per student accounts are updated to actual on COD after funds are disbursed to students.

Status

Implemented. No instances of noncompliance noted in the 2013-14 audit.

**CLATSOP COMMUNITY COLLEGE
PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 2013-06

Program Information

Student Financial Aid Cluster:

84.007

Federal Supplemental Educational Opportunity Grants

84.033

Federal Work Study Program

84.063

Federal Pell Grant Program

84.268

Federal Direct Loans

U.S. Department of Education

Condition Found and Context

[X] *Compliance Finding (Special Tests)* [X] *Significant Deficiency* [] *Material Weakness*

During our testing, we noted the ECAR did not include the chief financial officer that is currently employed by the College.

Recommendation

We recommend that the College update the ECAR to add chief financial officer. The College should also put a process in place to ensure all changes to ECAR information be updated within the required timeframe.

Status

Implemented. No instances of noncompliance noted in the 2013-14 audit.