

CLATSOP COMMUNITY COLLEGE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2016

**Clatsop Community College
Clatsop County, Oregon**

Annual Financial Statements

Year Ended June 30, 2016



BOARD OF DIRECTORS

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Chair

1880 S. Edgewood
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Gerald Hamilton, Interim President, (FY2015-16)

Chris Breitmeyer, President, July 1, 2016

JoAnn Zahn, Vice President Finance & Operations
Clatsop Community College

**1651 Lexington Avenue
Astoria, Oregon 97103**

**CLATSOP COMMUNITY COLLEGE
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YEAR ENDED JUNE 30, 2016**

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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 discretely presented component unit of Clatsop Community College, as of and for the year ended June 30, 2016, 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 were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the schedule of contributions and schedule of proportionate share of the net pension liability on page 51, and schedule of other postemployment benefits (OPEB) funding progress on page 52 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

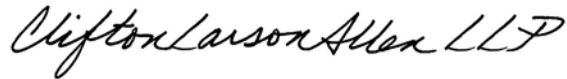
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clatsop Community College's basic financial statements. The balance sheet, schedule of changes in fund balances, and schedule of revenues, expenditures, and changes in fund balance compared with budget listed in the table of contents are presented for purposes of additional analysis and are not required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The balance sheet, schedule of changes in fund balances, 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

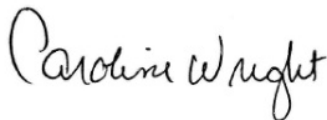
In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of Clatsop Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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.

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 13, 2016, on our consideration of Clatsop Community College's compliance with certain provisions of laws, regulations contracts, and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Minimum Standards for Audits of Oregon Municipal Corporations* in considering Clatsop Community College's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Bellevue, Washington
December 13, 2016



Caroline Wright, CPA
Director
Oregon License #13852
Municipal License #1569

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016. 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 College'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 2015-2016 academic year, total reported reimbursable FTEs were 1,253.23 as contrasted to 1,249.01 in the 2014-2015 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 1,321, the 1,253.23 FTE can be fully applied to calculating state reimbursement for academic year 2015-16.
- Significant expense reductions in FY12 resized the institution and provided fiscal sustainability with continued focus on monitoring student enrollment, annual revenue and expenses closely for material variances from budget estimates. The 2015-16 planning priorities included investment in student retention and support services with an increase in general fund reserves.
- During the 2015-16 fiscal year, the College provided more than \$2.75 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 | \$ | 88,827 |
| Federal SEOG | | 105,837 |
| Federal Pell Grant | | 1,206,769 |
| Federal Direct Student Loans | | 849,708 |
| CCC Foundation Scholarships | | 171,939 |
| Oregon Need Grant | | 186,550 |
| Institutional Waivers and Grants | | 145,431 |
| Total Financial Aid Provided to Students | <u>\$</u> | <u>2,755,061</u> |

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between those 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.

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Financial Analysis of the College as a Whole

Statement of Net Position

The statement of net position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 2016 Compared to 2015

| | <u>2016</u> | <u>2015</u> | <u>Percent Change</u> |
|-------------------------------------|----------------------|----------------------|---------------------------|
| ASSETS | | | |
| Current Assets | \$ 7,110,029 | \$ 22,377,849 | (68)% |
| Noncurrent Assets: | | | |
| Other Noncurrent Assets | - | 787,026 | (100) |
| Capital Assets, Net of Depreciation | <u>38,399,778</u> | <u>33,178,538</u> | 16 |
| Total Assets | <u>\$ 45,509,807</u> | <u>\$ 56,343,413</u> | (19) |
| Deferred Outflow of Resources | <u>\$ 823,277</u> | <u>\$ 716,763</u> | 100 |
| LIABILITIES | | | |
| Current Liabilities | \$ 4,253,068 | \$ 17,178,676 | (75) |
| Long-Term Debt, Noncurrent Portion | <u>24,918,612</u> | <u>23,950,908</u> | 4 |
| Total Liabilities | <u>\$ 29,171,680</u> | <u>\$ 41,129,584</u> | (29) |
| Deferred Inflow of Resources | <u>\$ 543,396</u> | <u>\$ 1,518,652</u> | 100 |
| NET POSITION | | | |
| Net Investment in Capital Assets | \$ 21,091,719 | \$ 11,980,687 | 76 |
| Restricted | 3,775,707 | 8,989,290 | (58) |
| Unrestricted | <u>(8,249,418)</u> | <u>(6,558,037)</u> | (26) |
| Total Net Position | <u>\$ 16,618,008</u> | <u>\$ 14,411,940</u> | 15 |

At June 30, 2016, the College's assets decreased to approximately \$45.5 million. The majority of the decrease is directly related to the OCCA receivable, \$7.5 million, which represents the completion of the New Market Tax Credit (NMTC) unwind in fall 2015. The College's current assets of \$7.1 million and the 4.2 million in current liabilities also reflect the NMTC unwind compared to 2015. This represents a current ratio of 1.69 in comparison to 1.3 in the prior year. Efforts to improve cash flow by reducing expenditures have been, and continue to be, addressed. Cash and investments of nearly \$5 million represent \$3.776 million for the Patriot Hall redevelopment project. The remaining current assets are made up of receivables from property taxes, governmental receivables and student receivables. Capital assets increased to \$38.4 million compared to \$33.2 million in 2015 mostly as a result of the Patriot Hall Redevelopment project. Project completion is anticipated in spring 2017.

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Financial Analysis of the College as a Whole (Continued)

Deferred outflows of resources increased to \$823 thousand compared to \$717 thousand in 2015.

The College's current liabilities of \$4.2 million consist primarily of payroll, various payables for operations, unearned revenues, and the current portion of long-term debt: waterline to MERTS, pension bond obligations and facilities bond obligations. Noncurrent liabilities increased by \$968 thousand. Noncurrent liabilities consist of long-term debt: waterline to MERTS, pension bond obligations, facilities bond obligations, and the liability to record Other Post Employment Benefits (OPEB).

Deferred inflows of resources decreased to \$543 thousand compared to \$1.5 million in 2015.

Within net position, the "capital assets - net" amounts to \$21.1 million, an increase of \$9.1 million over the prior year. This amount represents the College's plant and equipment, less accumulated depreciation and related debt. The increase represents the investment in the Patriot Hall Redevelopment project.

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 2016 Compared to 2015

| | <u>2016</u> | <u>2015</u> | <u>Percent Change</u> |
|--|--------------------------|--------------------------|---------------------------|
| Total Operating Revenues | \$ 5,075,733 | \$ 6,207,697 | (18)% |
| Total Operating Expenses | <u>15,509,493</u> | <u>15,560,586</u> | (0) |
| Operating Loss | (10,433,760) | (9,352,889) | 12 |
| Nonoperating Revenues, Net | <u>12,639,828</u> | <u>8,450,608</u> | 50 |
| Total Increase (Decrease) in Net Position | <u>2,206,068</u> | <u>(902,281)</u> | (344) |
| Net Position - Beginning of Year | 14,411,940 | 22,639,006 | (36) |
| Cumulative Effect of Change in Accounting Principle | <u>-</u> | <u>(7,324,785)</u> | |
| Net Position, Beginning of Year, Adjusted | <u>14,411,940</u> | <u>15,314,221</u> | |
| Net Position - End of Year | <u>\$ 16,618,008</u> | <u>\$ 14,411,940</u> | 15 |

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Financial Analysis of the College as a Whole (Continued)

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 \$2.9 million, net of scholarship allowances (see page 16 for more detail). Financial aid, grants, and contracts (not including Pell grants) totaled \$1.7 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 operations. Auxiliary services revenue amounted to \$353 thousand. Other local sources were \$130 thousand.

The College's major sources of nonoperating revenue are from property taxes and timber revenues (\$6.9 million), funding for operations from the state of Oregon (\$2.2 million), and Pell grants for students (\$1.2 million). Investment income of \$57 thousand consists primarily of interest earned on the Patriot Hall Redevelopment Project. Other local revenue included \$3.1 million as a result of the completion of the NMTC agreement.

Major Clatsop County Taxpayers are Provided Below:

**Fiscal Year 2016
Clatsop Community College**

| Taxpayer | Business/Service | Tax | Assessed Value | Percent of Value |
|--|-------------------------|--------------|-------------------------|-------------------------|
| Georgia Pacific Consumer Products | Paper Manufacturing | \$ 2,091,388 | \$ 209,485,608 | 3.64% |
| L&C Tree Farms LLC | Forest Products | 822,226 | 20,460,792 | 0.36% |
| PacifiCorp (Pacific Power) | Electrical Utility | 514,356 | 42,659,000 | 0.74% |
| WorldMark The Club | Timeshare Resort | 513,438 | 9,380,215 | 0.16% |
| Northwest Natural Gas Co. | Natural Gas Utility | 461,190 | 37,748,100 | 0.66% |
| Hampton Lumber Mills Inc. | Forest Products | 431,074 | 36,376,043 | 0.63% |
| Charter Communication | Telecommunications | 294,423 | 23,134,500 | 0.40% |
| Western Generation Agency | Electrical Utility | 288,860 | 29,000,000 | 0.50% |
| Longview Timberlands LLC | Forest Products | 271,905 | 7,806,791 | 0.14% |
| Georgia Pacific Consumer Prod LP | Forest Products | 253,936 | 25,493,745 | 0.44% |
| Subtotal - ten of County's largest taxpayers | | | 441,544,794 | 7.68% |
| All other County's taxpayers | | | 5,307,089,721 | 92.32% |
| Total District | | | <u>\$ 5,748,634,515</u> | <u>100.00%</u> |

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Financial Analysis of the College as a Whole (Continued)

Real Market Value

| Fiscal Year | M5 Real Market Value | Total Assessed Value | Urban Renewal Excess | Net Assessed Value |
|-------------|----------------------|----------------------|----------------------|--------------------|
| 2016 | \$ 7,933,131,303 | \$ 5,876,087,187 | \$ 127,452,672 | \$ 5,748,634,515 |
| 2015 | 10,313,180,487 | 7,782,736,040 | 116,124,355 | 7,764,064,554 |
| 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 |

Expenses

Operating expenses totaling \$16.3 million include salaries and benefits, materials and supplies, utilities, scholarships, and depreciation. The greatest percentage of expenses is instruction and instructional support (30%). Student financial aid represents 10% which includes federal, state, and institutional aid to students to pay the costs of education. Student services expenses (15%) provide support to students for activities that occur outside the classroom and include enrollment services, counseling, and financial aid assistance. Institutional support (15%) represents the operational aspects of the College, including the administration, business office, and computer services. The general fund provides resources, as needed, to balance the auxiliary fund. The following chart shows expenses by category and percentage change compared to 2015 for the College:

| | 2016 Actual Expense | 2015 Actual Expense | Percent Change |
|---------------------------------------|------------------------|------------------------|-------------------|
| Educational and General: | | | |
| Instruction | \$ 4,702,329 | \$ 3,588,795 | 31 % |
| Instructional Support | 1,486,363 | 1,342,709 | 11 |
| Student Services | 2,312,565 | 1,730,979 | 34 |
| Institutional Support | 2,402,729 | 1,909,556 | 26 |
| Operation and Maintenance of Plant | 1,191,000 | 1,008,599 | 18 |
| Auxiliary Enterprises | 401,489 | 401,274 | 0 |
| Community Services | 290,061 | 230,830 | 26 |
| Student Financial Aid | 1,598,635 | 1,990,555 | (20) |
| Other Expense | 1,872 | 144,069 | (99) |
| Depreciation and Amortization Expense | 1,122,450 | 3,213,220 | (65) |
| Total Operating Expenses | <u>\$ 15,509,493</u> | <u>\$ 15,560,586</u> | (0) |

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.

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Financial Analysis of the College as a Whole (Continued)

Statement of Cash Flows (Continued)

Fiscal Year 2016 Compared to 2015

| | 2016 | 2015 | Percent Change |
|--|---------------------|----------------------|-------------------|
| Cash Provided (Used) by: | | | |
| Operating Activities | \$ (7,135,415) | \$ (8,007,833) | (11)% |
| Noncapital Financing Activities | 10,580,404 | 9,228,397 | 15 |
| Capital and Related Financing Activities | (8,808,927) | 5,926,717 | (249) |
| Investing Activities | 57,414 | 30,267 | 90 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (5,306,524) | 7,177,548 | (174) |
| Cash and Cash Equivalents - Beginning of Year | 10,303,532 | 3,125,984 | 230 |
| Cash and Cash Equivalents - End of Year | <u>\$ 4,997,008</u> | <u>\$ 10,303,532</u> | (52) |

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's cash and cash equivalents decreased by \$5.3 as a result of the Patriot Hall Redevelopment project.

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.

Capital Financing Activities

The College had capital and related financing with -\$13.5 million in debt payment and cancellation. The New Market Tax Credit debt cancellation note payable principal was (\$10,451,231) and was related to the Jerome Campus Redevelopment Project dated September 10, 2008.

Investing Activities

The College earned \$57 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 Auxiliary fund. 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.

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Financial Analysis of the College as a Whole (Continued)

Capital Assets and Debt

The College's investment in capital assets as of June 30, 2016, amounted to \$38.4 million, net of accumulated depreciation. Investment in capital assets includes land, buildings, improvements, machinery and equipment, and library books. 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 and the voters approved an \$8.2 million general obligation bond in November 2014. Construction began in July 2015 with completion anticipated spring 2017. The notes payable to Shorebank Enterprise Pacific Coast III, LLC (Craft3), for \$10,451,231 for New Market Tax Credits financing a portion of the Jerome Campus redevelopment Project, issued September 29, 2008 concluded September 15, 2015. The related note receivable (\$7,583,779) from OCCA was also concluded on September 15, 2015. The net difference between the two principal cancellations and related accrued interest was reported in other nonoperating revenue.

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, 2016 was \$23.9 million.

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% 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 2016 is \$7.933 billion. The General Obligation Bonds, Series 2009, for \$5 million has \$4.195 million and Series 2015, for \$7.930 million outstanding debt subject to the limit. The district has 10.19% issued compared to total debt capacity. The General Obligation Bonds, Series 2009 have subsequently been refunded in July 2016 to reduce tax payer debt. See details in Subsequent Events on page 49.

| | |
|---|-----------------------|
| Real Market Value (Fiscal Year 2016) | \$ 7,933,131,303 |
| Debt Capacity | |
| General Obligation Debt Capacity (1.50% of Real Market Value) | \$ 118,996,970 |
| Less: Outstanding Debt Subject to Limit | (12,125,000) |
| Remaining General Obligation Debt Capacity | <u>\$ 106,871,970</u> |
| Percent of Capacity Issued | 10.19% |

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Financial Analysis of the College as a Whole (Continued)

Debt Ratios

Fiscal Year 2016

| | | |
|---|---------------------------|------------------------|
| Real Market Value | \$ 7,933,131,303 | |
| Estimated Population | 37,831 | |
| Per Capita Real Market Value | \$ 209,699 | |
| | Gross Direct | |
| Debt Information | Debt⁽¹⁾ | Net Direct Debt |
| District Direct Debt | \$ 23,921,832 | \$ 23,921,832 |
| Overlapping Direct Debt | N/A | N/A |
| Total Direct Debt | <u>\$ 23,921,832</u> | <u>\$ 23,921,832</u> |
| Bonded Debt Ratios | | |
| District Direct Debt to Real Market Value | 0.30% | 0.30% |
| Total Direct Debt to Real Market Value | 0.30% | 0.30% |
| Per Capita District Direct Debt | \$ 632 | \$ 632 |
| Per Capita Total Direct Debt | \$ 632 | \$ 632 |

(1) see Note 9 long-term debt schedule

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 2016-17 general fund operating budget was developed using guiding principles and priorities to invest in student retention and support services. State funding for community colleges has improved significantly in the 2015-17 to \$2.231 million and \$2.169 million, respectively, based on a \$550 million community college funding level. The state support funding represents approximately 22% of the College's annual revenue based on the funding formula allocation. The College's percentage of total formula allocation has increased from .74% in 2015 to .81% in 2016. 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. Efforts to invest in student retention and support services have been a focus of budget development in FY16 and FY17. Rebuilding the general fund ending fund balance to 15 percent in five years is a strategic priority.

Debt management and, specifically refunding current debt to lower interest rates, has been a 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. Timber revenue provides resources to meet debt service obligations. Favorable interest rates continued in 2016 and the 2009 General Obligation bonds were refunded to a lower interest rate to pass the savings to the local taxpayers.

Local property tax information (Summary of Property Tax Collections 2015-16) indicates a 2.8% increase in the total certified tax amount for 2016 in Clatsop County. County officials are predicting the total property tax assessed value increase will grow by the statutory 3% in the next budgeting period.

**CLATSOP COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Financial Analysis of the College as a Whole (Continued)

Economic Factors and Next Year's Budget (Continued)

Fall 2016 enrollment reports indicate an increase of approximately 5.8% in student enrollment compared to fall 2015. Efforts to increase student retention and support services have been a priority with the addition of an enrollment coordinator and advising specialist. 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. Project completion is anticipated in spring 2017 and open for spring term 2017.

Restoring the general fund reserve to 15% continues to be a priority for fiscal sustainability and to meet cash flow requirements, which requires 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 FY19.

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 Avenue
Astoria, OR 97103

**CLATSOP COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2016**

| | Primary Government | Component Unit Clatsop Community College Foundation |
|--------------------------------------|-----------------------|--|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 1,173,528 | \$ 241,862 |
| Restricted Cash and Investments | 3,823,480 | 2,717,204 |
| Receivables: | | |
| Property Taxes | 473,983 | - |
| Governmental | 713,078 | - |
| Student Receivables, Net | 674,319 | - |
| Contributions | - | 1,155 |
| Inventories | 133,436 | - |
| Other | 118,205 | - |
| Total Current Assets | 7,110,029 | 2,960,221 |
| NONCURRENT ASSETS | | |
| Capital Assets - Net | 38,399,778 | - |
| Total Noncurrent Assets | 38,399,778 | - |
| Total Assets | \$ 45,509,807 | \$ 2,960,221 |
| DEFERRED OUTFLOW OF RESOURCES | | |
| Related to Pensions | \$ 565,685 | \$ - |
| Loss on Refunding | 257,592 | - |
| Total Deferred Outflow of Resources | \$ 823,277 | \$ - |

See accompanying Notes to Financial Statements.

| | Primary Government | Component Unit Clatsop Community College Foundation |
|--|-----------------------|--|
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 710,757 | \$ 19,115 |
| Payroll Liabilities | 726,989 | - |
| Unearned Revenue | 669,075 | - |
| Due to Student Groups | 30,000 | - |
| Accrued Interest Payable | 32,161 | - |
| Other Current Liabilities | 4,028 | - |
| Current Portion of Long-Term Debt | 2,080,058 | - |
| Total Current Liabilities | <u>4,253,068</u> | <u>19,115</u> |
| NONCURRENT LIABILITIES | | |
| Note Payable, Less Current Portion of Long-Term Debt | 22,493,440 | - |
| Net Pension Liability | 2,239,977 | - |
| Other Postemployment Benefits | 185,195 | - |
| Total Noncurrent Liabilities | <u>24,918,612</u> | <u>-</u> |
| Total Liabilities | <u>\$ 29,171,680</u> | <u>\$ 19,115</u> |
| DEFERRED INFLOW OF RESOURCES | | |
| Related to Pensions | <u>\$ 543,396</u> | <u>\$ -</u> |
| NET POSITION | | |
| Capital Assets | \$ 38,399,778 | \$ - |
| Less: Related Debt | <u>(17,308,059)</u> | <u>-</u> |
| Net Investment in Capital Assets | 21,091,719 | - |
| Restricted - Expendable | 3,775,707 | 2,159,821 |
| Restricted - Unexpendable | - | 584,897 |
| Unrestricted | <u>(8,249,418)</u> | <u>196,388</u> |
| Total Net Position | <u>\$ 16,618,008</u> | <u>\$ 2,941,106</u> |

CLATSOP COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016

| | Primary Government | Component Unit Clatsop Community College Foundation |
|---|-----------------------|--|
| OPERATING REVENUES | | |
| Student Tuition and Fees, Net of Scholarship | | |
| Allowance of \$145,431 | \$ 2,856,002 | \$ - |
| Federal Student Financial Aid Grant | 193,029 | - |
| State Student Financial Aid Grant | 186,550 | - |
| Federal Grants and Contracts | 1,183,158 | - |
| State and Local Government Grants and Contracts | 174,799 | - |
| Other Local Sources | 129,517 | 249,457 |
| Auxiliary Enterprises | 352,678 | - |
| Total Operating Revenues | 5,075,733 | 249,457 |
| OPERATING EXPENSES | | |
| Educational and General: | | |
| Instruction | 4,702,329 | - |
| Instructional Support | 1,486,363 | - |
| Student Services | 2,312,565 | - |
| Institutional Support | 2,402,729 | - |
| Operation and Maintenance of Plant | 1,191,000 | - |
| Auxiliary Enterprises | 401,489 | - |
| Community Services | 290,061 | - |
| Student Financial Aid | 1,598,635 | - |
| Other Expense | 1,872 | 315,859 |
| Depreciation and Amortization Expense | 1,122,450 | - |
| Total Operating Expenses | 15,509,493 | 315,859 |
| OPERATING LOSS | (10,433,760) | (66,402) |
| NONOPERATING REVENUES (EXPENSES) | | |
| State FTE Reimbursement | 2,231,088 | - |
| Property Taxes and Timber Revenues | 6,906,646 | - |
| Investment Income | 57,414 | - |
| Other Local Revenue | 3,116,484 | - |
| Pell Grants | 1,206,769 | - |
| Interest Expense | (878,573) | - |
| Total Nonoperating Revenues | 12,639,828 | - |
| CHANGES IN NET POSITION | 2,206,068 | (66,402) |
| Net Position - Beginning of Year | 14,411,940 | 3,007,508 |
| NET POSITION - END OF YEAR | \$ 16,618,008 | \$ 2,941,106 |

See accompanying Notes to Financial Statements.

**CLATSOP COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

| | Primary Government | Component Unit Clatsop Community College Foundation |
|---|-----------------------|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and Fees | \$ 2,739,015 | \$ - |
| Paid to Students | (1,598,635) | - |
| Grants and Contracts | 1,861,022 | - |
| Aid Received for Students | 379,579 | - |
| Payments to Vendors | (1,772,697) | - |
| Payments to Employees | (8,773,516) | - |
| Other | 78,628 | 45,021 |
| Auxiliary Enterprises | (48,811) | - |
| Net Cash Provided (Used) by Operating Activities | (7,135,415) | 45,021 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Local Property Taxes and Timber Revenues | 6,903,294 | - |
| State Appropriations and Other Payments | 2,231,088 | - |
| Nonoperating Grants | 1,206,769 | - |
| Other Local Revenue | 239,253 | - |
| Direct Lending Receipts | 849,708 | - |
| Direct Lending Disbursements | (849,708) | - |
| Net Cash Provided by Noncapital Financing Activities | 10,580,404 | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of Capital Assets | (6,317,725) | - |
| Loan Proceeds | 790,000 | - |
| Loan Principal Paid | (2,325,366) | - |
| Loan Interest Paid | (955,836) | - |
| Net Cash Used by Capital and Related Financing Activities | (8,808,927) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment Income (Loss) | 57,414 | (75,088) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | |
| | (5,306,524) | (30,067) |
| Cash and Cash Equivalents - Beginning of Year | 10,303,532 | 271,929 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 4,997,008 | \$ 241,862 |

See accompanying Notes to Financial Statements.

| | Primary Government | Component Unit Clatsop Community College Foundation |
|---|-----------------------|--|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | | |
| Operating Loss | \$ (10,433,760) | \$ (66,402) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation and Amortization | 1,071,561 | - |
| Change in OPEB Liability | 17,749 | - |
| Realized and Unrealized (Gain) Loss on Investments | - | 91,193 |
| (Increase) Decrease in Assets: | | |
| Receivables (Net) | 407,243 | - |
| Accrued Interest Receivable | - | - |
| Contributions Receivable | - | 615 |
| Inventories | 6,567 | - |
| Other Assets | (16,276) | 500 |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (32,096) | 19,115 |
| Payroll Liabilities | (50,184) | - |
| Unearned Revenue | (21,165) | - |
| Other Current Liabilities | (4,322) | - |
| Pension Expense Changes Related to Net Pension Liability | 1,919,268 | - |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (7,135,415)</u> | <u>\$ 45,021</u> |

RECONCILIATION TO STATEMENT OF NET POSITION

| | | |
|---|---------------------|-------------------|
| Cash and Cash Equivalents | \$ 1,173,528 | \$ 241,862 |
| Restricted Cash and Cash Equivalents | 3,823,480 | - |
| Cash and Cash Equivalents - End of Year | <u>\$ 4,997,008</u> | <u>\$ 241,862</u> |

NONCASH TRANSACTIONS:

The College recorded net income of \$2,877,231 as a result of completing the requirements for the New Market Tax Credit. This amount represents the principal and accrued interest from the cancellation of the loan to Shorebank in the amount of \$12,444,345 offset by the cancellation of the loan receivable and related accrued interest from the Oregon Community College Association in the amount of \$9,567,114.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 accounting principles generally accepted in the United States of America (GAAP), 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, 2016. Financial information about the Foundation may be obtained from the Foundation at 1651 Lexington Avenue, Astoria, OR 97103.

Implementation of New Standards (GASB 72)

The College adopted the provisions of GASB Statement No. 72 *Fair Value Measurement and Application* (GASB 72) effective July 1, 2015. GASB 72 generally requires investments to be measured at fair value. It also establishes a hierarchy of inputs to valuation techniques used to measure fair value and changes required footnote disclosures. The adoption of GASB 72 did not have a significant impact on the College's financial statements however it did impact related notes to the financial statements. See Note 3, for new Fair Value Measurement disclosure.

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, 2016**

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), which are part of the Oregon Short-Term Fund (OSTF). All are carried at cost, which approximates fair value.

The Foundation considers all liquid investments with an original maturity of three months or less to be cash equivalents, 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 and clubs and organizations \$(47,773) as well as capital projects \$(3,775,707). All funds of the Foundation are in depository accounts at June 30, 2016.

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 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 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, 2016**

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, 2016 were \$358,803.

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. Employees may only carry forward the number of vacation hours they have accrued in the previous year.

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 \$182,624 at June 30, 2016.

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, 2016 for the College's 2016-2017 summer and fall terms are recorded as unearned revenue. Unearned revenue from tuition and fees was \$507,468 at June 30, 2016.

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.

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.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Deferred Inflows and Deferred Outflows

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

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:

Net 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 programs, including primarily 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, 2016**

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 5, 2015. 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 9, 2015. The budget was amended by the board on June 14, 2016.

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, 2016**

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, 2016, 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, 2016 were comprised of the following:

| | <u>Total Primary Government</u> | <u>Component Unit Clatsop Community College Foundation</u> |
|----------------------------|---|--|
| Cash and Cash Equivalents: | | |
| Cash on Hand | \$ 4,250 | \$ - |
| Deposits | 313,293 | 241,862 |
| Investments | 4,679,465 | 2,717,204 |
| Total | <u>\$ 4,997,008</u> | <u>\$ 2,959,066</u> |

The majority of the College's cash and investments were held in custody with the Oregon State Treasury (State Treasury). These invested assets are managed through a commingled investment pool by the State Treasury. The underlying investment pool has an investment policy and set of objectives identifying risk and return parameters for the investment pool.

Deposits with State Local Government Investment Pool

The College maintains the majority of its cash balances on deposit with the State Treasury. These deposits at the State Treasury are held on a pooled basis as described above, in the Oregon Short-Term Fund (OSTF). The State Treasurer of the state of Oregon maintains the 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 State Treasury invests these deposits in high-grade short-term investment securities. 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 the fiscal year ended June 30, 2016, the College cash and cash equivalents on deposit at State Treasury were \$4,679,465. At June 30, 2016, the fair value of College deposits with LGIP approximates cost.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with State Local Government Investment Pool (Continued)

For full disclosure regarding cash and investments held in the State Treasury, a copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 350, Winter St. NE, Suite 100, Salem, OR 9701-3896 or via the internet at: www.oregon.gov/treasury/Reports/Pages/Annual-Reports.aspx.

Policies

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

Custodial Credit Risk – Deposits

Current State statutes (ORS Chapter 295) require that all bank deposits in excess of FDIC and FSLIC insurance (currently \$250,000) be collateralized through the Oregon State Treasurer's Public Funds Collateralization Program (PFCP). ORS 295 created a shared liability structure for participating depositories though not guaranteeing that all funds are 100% protected. The College was in compliance with this statutory requirement throughout the year, and none of the College's June 30, 2016 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. The cash balances held on deposit at the State Treasury are invested continuously, therefore, custodial credit risk exposure to the State Treasury is low.

Concentration of Credit Risk

College investments are entirely maintained in the local government investment pool (LGIP). OSTF follows their rules on the maximum that may be invested in any one issuer, as a percentage of the OSTF's total investments. On June 30, 2016, they were within the required limits.

Foreign Currency Risk

OSTF rules prohibit investments that are not U.S. dollar-denominated; therefore, it is not exposed to this risk.

Fair Value of Financial Instruments

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

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

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Level 2 – Inputs to the valuation methodology include:

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

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

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

At June 30, 2016, all of the OSTF investments were considered Level 2 investments.

Foundation Investments

The Foundation’s investments are recorded at fair value and consisted of the following at June 30, 2016:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------------------------|---------------------|-------------------|----------------|---------------------|
| Bonds | \$ - | \$ 627,509 | \$ - | \$ 627,509 |
| Mutual Funds - Equity | 1,927,900 | - | - | 1,927,900 |
| Treasuries | 161,795 | - | - | 161,795 |
| Total Investments at Fair Value | <u>\$ 2,089,695</u> | <u>\$ 627,509</u> | <u>\$ -</u> | <u>\$ 2,717,204</u> |

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at June 30, 2016.

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 executive committee of the Foundation. All Foundation investments are held in the Foundation’s name.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2015 | Levy | Discounts, Interest, and Adjustments | Collections | Balance June 30, 2016 |
|--|-----------------------------|---------------------|--|---------------------|-----------------------------|
| 2015-2016 | | \$ 5,288,103 | \$ (140,660) | \$ 4,965,846 | \$ 181,597 |
| 2014-2015 | \$ 164,854 | - | (330) | 93,102 | 71,422 |
| 2013-2014 | 82,273 | - | (196) | 35,128 | 46,949 |
| 2012-2013 | 84,672 | - | (85) | 33,082 | 51,505 |
| 2011-2012 | 22,898 | - | (148) | 14,986 | 7,764 |
| 2010-2011 | 6,077 | - | (138) | 2,004 | 3,935 |
| 2009-2010 | 3,919 | - | (118) | 1,091 | 2,710 |
| Prior | 6,772 | - | - | 387 | 6,385 |
| Total | 371,465 | <u>\$ 5,288,103</u> | <u>\$ (141,675)</u> | <u>\$ 5,145,626</u> | 372,267 |
| Cash in Hands of County Agent at June 30 | 99,165 | | | | 101,716 |
| Taxes Receivable | <u>\$ 470,631</u> | | | | <u>\$ 473,983</u> |

Governmental

The governmental receivables include \$521,982 in timber revenues and \$191,096 in various federal and state grants or contracts. It is expected that all funds will be received so no allowance for doubtful accounts is included.

Student

This account includes three kinds of receivables: amounts owed by students and agencies for tuition and fees \$(501,181), amounts owed by students in collections and amounts returned due to insufficient funds \$(175,917), and amounts owed by agencies \$(26,312) for other services provided by the College. Amounts owed by agencies are considered to be fully collectible. An estimated bad debt allowance is included \$(29,091) for student accounts. Net student accounts receivable as of June 30, 2016 was \$674,319.

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 transaction will not financially impact OCCA or the College. The NMTC matured on September 10, 2015 and the unwind process concluded in December 2015 with no financial impact to OCCA or the College.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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

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

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

Summary of Significant Accounting Policies

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

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

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Basis of Accounting

Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements. These are amounts normally included in the employer statements cut off as of the 5th of the following month.

Proportionate Share Allocation Methodology

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

Changes in Plan Provisions

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

Pension Plan Liability

The components of the Plan's collective net pension liability as of the measurement date of June 30, 2015 are as follows (dollars in millions):

| | |
|-----------------------------|------------------------|
| Total Pension Liability | \$ 70,665 |
| Plan Fiduciary Net Position | <u>64,924</u> |
| Plan Net Position Liability | <u><u>\$ 5,741</u></u> |

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Benefits

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

Tier One/Tier Two Retirement Benefit (Chapter 238). Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

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

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

Death Benefits

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

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

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Disability Benefits

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

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living changes. The COLA for fiscal year 2015 was capped at 1.5% for all benefit recipients. As a result of the *Moro* Decision, the cap on the COLA will be restored to 2.0% for fiscal years 2016 and beyond. (See Changes in Plan Provision section.)

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

1. The defined benefit pension plan is provided to members who were hired on or after August 29, 2003. Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the PERB. The annual required contribution rate for the OPSRP defined benefit pension plan at June 30, 2014 is 10.24%, adjusted for the side account rate relief (7.79%).
2. The defined contribution pension plan (called the Individual Account Program) (IAP) is provided to all members or their beneficiaries who are PERS or OPSRP eligible. State statutes require covered employees to contribute 6% of their annual covered salary to the IAP plan effective January 1, 2004. Plan members of PERS retain their existing PERS accounts, but member contributions beginning in 2004 will be deposited in the member's IAP, not into the member's PERS account.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPSRP Pension Program (OPSRP DB)

Pension Benefits

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

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

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes after Retirement

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

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Pension Plan Contributions

PERS and OPSRP employee contribution requirements are established by ORS 238.200 and ORS 238A.330, respectively, and are credited to an employee's account in the IAP and maybe amended by an act of the Oregon Legislature. The College requires members of PERS to contribute 6% of their salary covered under the plan. In addition, the College is required to contribute at an actuarially determined rate. The rate at June 30, 2016 is 13.28% for PERS Tier One/Two and 7.31% for OPSRP.

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates for the fiscal year ended June 30, 2016 were based on the December 31, 2013 actuarial valuation as subsequently modified by the Moro Decision. The rates first became effective July 1, 2015. The rates based on a percentage of payroll, first became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2016 were \$356,354, excluding amounts to fund employer specific liabilities.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Pension expense for the year ended June 30, 2016 was \$2,275,627. At June 30, 2016, the College reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 120,791 | \$ - |
| Changes of assumptions | - | |
| Net difference between projected and actual earnings on pension plan investments | | (469,550) |
| Changes in proportionate share | 73,704 | |
| Difference in proportionate share and actual employer's contributions | 14,836 | (73,846) |
| System contributions subsequent to the measurement date | - | |
| Total | 209,331 | (543,396) |
| Net Deferred Outflow/(Inflow) of Resources before Contributions Subject to the Measurement Date | | (334,065) |
| Contributions Subsequent to the Measurement Date | 356,354 | |
| Net Deferred Outflow/(Inflow) of Resources | | \$ 22,289 |

Of the amount reported as deferred outflows of resources, \$356,354 are related to contributions subsequent to the measurement date and will be recognized as reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Amortization</u> | |
|---------------------|--------------|
| 2017 | \$ (192,497) |
| 2018 | (192,497) |
| 2019 | (192,497) |
| 2020 | 232,458 |
| 2021 | 10,968 |

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Valuations

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability:

| | |
|-------------------------|--|
| Valuation Date | December 31, 2013 |
| Experience Study Report | 2014, published September 2015 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years |
| Asset Valuation Method | Market value of assets |

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions:

| | |
|----------------------------|--|
| Inflation Rate | 2.75% |
| Investment Rate of Return | 7.75% |
| Discount Rate | 7.75% |
| Projected Salary Increases | 3.75% blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service. |
| Mortality | Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table. |

(Source: June 30, 2015 PERS CAFR; p. 57)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.75% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability. (Source: June 30, 2015 PERS CAFR; p. 56)

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Depletion Date Projection

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

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

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

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

(Source: June 30, 2015 PERS CAFR; p. 58)

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumed Asset Allocation

| <u>Asset Class/Strategy</u> | <u>Low Range</u> | <u>High Range</u> | <u>OIC Target</u> |
|------------------------------------|-------------------------|--------------------------|--------------------------|
| Cash | 0.0% | 3.0% | 0.0% |
| Debt Securities | 15.0 | 25.0 | 20.0 |
| Public Equity | 32.5 | 42.5 | 37.5 |
| Real Estate | 9.5 | 15.5 | 12.5 |
| Private Equity | 16.0 | 24.0 | 20.0 |
| Alternative Equity | 0.0 | 10.0 | 10.0 |
| Opportunity Portfolio | 0.0 | 3.0 | 0.0 |
| Total | | | 100.0 |

(Source: June 30, 2015 PERS CAFR; p. 76)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

(Source: June 30, 2015 PERS CAFR; p. 56 – 57)

Sensitivity Analysis

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|----------------------------------|--------------------|----------------------------------|--------------------|
| | (6.75%) | (7.75%) | (8.75%) |
| Employers' Net Pension Liability | \$5,406,100 | \$2,239,977 | \$(428,218) |

The above is an analysis of the College's proportionate share of the net pension asset to changes in the discount rate. It presents the College's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.75% as well as what the College's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate. As discussed above, the discount rate for fiscal year ended June 30, 2017 is expected to be decreased to 7.50%

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Fiduciary Net Position as a Percentage of Total Pension Liability

See Schedule of Changes in Net Pension (Asset)/Liability on page 61 of the PERS June 30, 2015 CAFR.

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 years 2015 and 2016 is \$18,000, with higher levels for employees over age 50.

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 year's 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 2015-2016 was \$1,938 for one retiree.

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 2015-2016 was \$37,731 for 9 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.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Early Retirement Plan/Postemployment Benefits (Continued)

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, 2016. The report included the plan's funded status, the ARC as defined by GASB No. 27 and GASB No. 45 for 2014-2015, an estimation of future cash flows and their present value, and an actuarial accrued liability. The 2014-15 audit identified an overstatement of employees eligible for participation in the benefit. A revised report, with corrected employee hire date, was used to prepare the report of actuarial valuation as of June 30, 2016.

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

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.

| | Health | Stipend | Total |
|--|--------------------------|---------------------|--------------------------|
| Annual Required Contribution (ARC) | \$ 74,145 | \$ 550 | \$ 74,695 |
| Interest on Net OPEB Obligation (BOY) | 4,977 | 47 | 5,024 |
| Adjustment to ARC for Net OPEB Obligation | (19,448) | (549) | (19,997) |
| Annual OPEB Cost | <u>59,674</u> | <u>48</u> | <u>59,722</u> |
| Expected Contributions | <u>(40,386)</u> | <u>(1,587)</u> | <u>(41,973)</u> |
| Increase (Decrease) in Net OPEB Obligation | 19,288 | (1,539) | 17,749 |
| Net OPEB Obligation - July 1, 2015 | <u>165,892</u> | <u>1,554</u> | <u>167,446</u> |
| Net OPEB Obligation - June 30, 2016 | <u><u>\$ 185,180</u></u> | <u><u>\$ 15</u></u> | <u><u>\$ 185,195</u></u> |

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Early Retirement Plan/Postemployment Benefits (Continued)

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:

| Fiscal Year Ended | Annual OPEB Cost | Annual Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
|-------------------------|------------------------|------------------------|---|--------------------------------------|
| 6/30/2014 | \$ 125,590 | \$ 100,472 | 80.00% | \$ 131,093 |
| 6/30/2015 | 80,349 | 45,550 | 56.69% | 165,892 |
| 6/30/2016 | 59,674 | 40,386 | 67.68% | 185,180 |

| Fiscal Year Ended | Annual Pension Cost | Annual Contribution | Percentage of Annual Pension Cost Contributed | Net Pension Obligation (Asset) |
|-------------------------|---------------------------|------------------------|--|---|
| 6/30/2014 | \$ 4,508 | \$ 3,845 | 85.29% | \$ 3,043 |
| 6/30/2015 | 102 | 1,591 | 1559.80% | 1,554 |
| 6/30/2016 | 48 | 1,587 | 3306.25% | 15 |

The unfunded actuarial accrued liability (UAAL) for the plans as of June 30, 2016 is provided below:

| | Health | Stipend |
|-----------------------------------|--------------|----------|
| Actuarial Value of Plan Assets | \$ - | \$ - |
| Actuarial Accrued Liability (AAL) | \$ 490,810 | \$ 3,075 |
| Unfunded AAL | \$ 490,810 | \$ 3,075 |
| Funded Ratio | 0.00% | 0.00% |
| Covered Payroll | \$ 1,904,654 | \$ - |
| UAAL as a % of Covered Payroll | 25.77% | NA |

The above noted actuarial accrued liabilities were based on the June 30, 2016 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.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Early Retirement Plan/Postemployment Benefits (Continued)

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% 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.

Trends – Medical premiums increase by 8% in 2016-17 and then 0.5% less each subsequent year until they are increasing at 5% per year.

Insurance cap – The College's insurance cap was negotiated in the faculty contract through June 30, 2018. Increases to the College's contribution cap in future years are subject to negotiation. An annual increase of 5% is assumed for the cap beyond the 2016-2017 year.

FICA tax – Stipend payments and lump sums paid under the closed plan have been increased by 7.65% 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, 2015 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 – 30% 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% 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, 1% will drop coverage each year due to all causes, including mortality.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 RESTRICTED NET POSITION

Primary Government

The Restricted – Expendable balance includes \$3,775,707 restricted funds to be spent on the construction of the Patriot Hall Redevelopment Project.

Clatsop Community College Foundation

Restricted net position – expendable of \$2 million and restricted net position – unexpendable of \$584,897 in the Foundation are primarily for scholarships.

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, 2015 and 2016.

| | <u>June 30, 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2016</u> |
|--|----------------------|---------------------|------------------|----------------------|
| Capital Assets not Being Depreciated: | | | | |
| Land and Improvements | \$ 85,535 | \$ - | \$ - | \$ 85,535 |
| Construction in Progress | 1,736,240 | 6,270,626 | - | 8,006,866 |
| Total Capital Assets not Being Depreciated | <u>1,821,775</u> | <u>6,270,626</u> | <u>-</u> | <u>8,092,401</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 41,911,560 | - | - | 41,911,560 |
| Land Improvements | 166,599 | - | - | 166,599 |
| Equipment | 2,375,776 | 47,099 | - | 2,422,875 |
| Library Books | 147,278 | - | - | 147,278 |
| Total Capital Assets Being Depreciated | <u>44,601,213</u> | <u>47,099</u> | <u>-</u> | <u>44,648,312</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 10,808,864 | 1,024,985 | - | 11,833,849 |
| Land Improvements | 66,640 | 16,660 | - | 83,300 |
| Equipment | 2,225,871 | 50,847 | - | 2,276,718 |
| Library Books | 143,075 | 3,993 | - | 147,068 |
| Total Accumulated Depreciation | <u>13,244,450</u> | <u>1,096,485</u> | <u>-</u> | <u>14,340,935</u> |
| Total Capital Assets Being Depreciated | <u>31,356,763</u> | <u>(1,049,386)</u> | <u>-</u> | <u>30,307,377</u> |
| Capital Assets, Net | <u>\$ 33,178,538</u> | <u>\$ 5,221,240</u> | <u>\$ -</u> | <u>\$ 38,399,778</u> |

Clatsop Community College Foundation

The Foundation has no property, buildings, and equipment as of June 30, 2016.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 LONG-TERM DEBT

Tax Anticipation Note – Cash Flow

| | |
|---|-------------------|
| Bond payable - Revenue and Tax Anticipation Note. Bonds payable to US Bank, Trustee, for \$790,000 at 0.650% short-term tax and revenue anticipation promissory note, Series 2016A (Federally Taxable), maturity date December 31, 2016 | \$ 790,000 |
| Balance, June 30, 2016 | <u>\$ 790,000</u> |

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 | \$ 84,351 |
| Less: Principal Payments 2015-2016 | (22,519) |
| Balance, June 30, 2016 | <u>\$ 61,832</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 Reduction 2015-2016 | (10,451,231) |
| Balance, June 30, 2016 | <u>\$ -</u> |

During the year, the requirements were met for the note payable to ShoreBank Enterprise Pacific Coast III, LLC for the New Market Tax Credit financing and the note and accrued interest was cancelled. The balance of the debt was written off and was offset by the related note receivable from OCCA that was cancelled. The net increase that resulted from this completion of requirements was approximately \$2.9 million and has been recorded in other nonoperating revenue.

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.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds Payable – Facilities (Continued)

General Obligation Bonds, Series 2009 and 2015, respectively, qualified to participate in the Oregon School Bond Guaranty program in order to secure lower interest costs on general obligation bonds. Series 2009 has \$4.38 million outstanding at June 30, 2016. Series 2015 has \$8.2 million outstanding at June 30, 2015. Payment of the principal of and interest on the Bonds when due is guaranteed by the full faith and credit of the State under the provisions of the Oregon School Bond Guaranty Act – Oregon Revised Statutes (ORS) 328.321 to 328.356 (the “Act”).

| | |
|--|--------------------|
| Refunding in 2014 - US Bank 2014 Full Faith & Credit 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, 2016 | \$ 355,000 |
| Less: Principal Payments 2015-2016 | <u>(355,000)</u> |
| Balance, June 30, 2016 | <u><u>\$ -</u></u> |

| | |
|---|----------------------------|
| Bond payable to US Bank, Trustee, for \$5,060,000 Refunding of 2006 Full Faith & Credit obligation dated August 5, 2014 with scheduled interest and principal payments due semi-annually through June 30, 2026. Refunding saves \$30,000 annually | \$ 4,740,000 |
| Less: Principal Payments 2015-16 | <u>(45,000)</u> |
| Balance, June 30, 2016 | <u><u>\$ 4,695,000</u></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 | \$ 4,380,000 |
| Less: Principal Payments 2015-2016 | <u>(185,000)</u> |
| Balance, June 30, 2016 | <u><u>\$ 4,195,000</u></u> |

| | |
|--|----------------------------|
| General Obligation Bonds, Series 2015, Bond payable to U.S. Bank National Association, Trustee, for \$8,200,000 at 3.0% for the redevelopment of Patriot Hall and to pay the costs of issuance of the obligations, dated February 26, 2015, with scheduled interest and principal payments due semi- annually through June 15, 2035 | \$ 8,200,000 |
| Less: Principal Payments 2015-2016 | <u>(270,000)</u> |
| Balance, June 30, 2016 | <u><u>\$ 7,930,000</u></u> |

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 LONG-TERM DEBT (CONTINUED)

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% to 4.8% for paying PERS unfunded actuarial liability, dated June 9, 2005, with scheduled interest and principal payments due semi-annually through June 30, 2028

| | |
|------------------------------------|---------------------|
| | \$ 6,480,000 |
| Less: Principal Payments 2015-2016 | (230,000) |
| Balance, June 30, 2016 | <u>\$ 6,250,000</u> |

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

| | Total | | PERS Bonding | | Facilities US Bank, 2014 | | Facilities GO Bonds, 2009 | | Facilities GO Bonds, 2015 | |
|-----------|----------------------|---------------------|---------------------|---------------------|-----------------------------|-------------------|------------------------------|---------------------|------------------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2017 | \$ 2,034,070 | \$ 841,136 | \$ 270,000 | \$ 299,418 | \$ 415,000 | \$ 132,450 | \$ 200,000 | \$ 167,133 | \$ 335,000 | \$ 239,350 |
| 2018 | 1,309,862 | 806,399 | 310,000 | 286,882 | 425,000 | 124,150 | 215,000 | 161,133 | 335,000 | 232,650 |
| 2019 | 1,377,900 | 767,945 | 355,000 | 272,489 | 435,000 | 115,650 | 235,000 | 153,533 | 340,000 | 225,950 |
| 2020 | 1,445,000 | 722,976 | 405,000 | 256,006 | 445,000 | 102,600 | 250,000 | 145,220 | 345,000 | 219,150 |
| 2021 | 1,540,000 | 673,922 | 455,000 | 237,202 | 460,000 | 89,250 | 270,000 | 135,220 | 355,000 | 212,250 |
| 2022-2026 | 9,325,000 | 2,384,847 | 3,215,000 | 797,357 | 2,515,000 | 231,150 | 1,690,000 | 496,340 | 1,905,000 | 860,000 |
| 2027-2031 | 4,810,000 | 711,172 | 1,240,000 | 78,262 | - | - | 1,335,000 | 114,660 | 2,235,000 | 518,250 |
| 2032-2036 | 2,080,000 | 158,550 | - | - | - | - | - | - | 2,080,000 | 158,550 |
| | <u>\$ 23,921,832</u> | <u>\$ 7,066,947</u> | <u>\$ 6,250,000</u> | <u>\$ 2,227,616</u> | <u>\$ 4,695,000</u> | <u>\$ 795,250</u> | <u>\$ 4,195,000</u> | <u>\$ 1,373,239</u> | <u>\$ 7,930,000</u> | <u>\$ 2,666,150</u> |

| | City of Astoria Waterline | | Tax Anticipation Note Wells Fargo | |
|-----------|------------------------------|-----------------|--------------------------------------|-------------|
| | Principal | Interest | Principal | Interest |
| 2017 | \$ 24,070 | \$ 2,785 | \$ 790,000 | \$ - |
| 2018 | 24,862 | 1,584 | - | - |
| 2019 | 12,900 | 323 | - | - |
| 2020 | - | - | - | - |
| 2021 | - | - | - | - |
| 2022-2026 | - | - | - | - |
| 2027-2031 | - | - | - | - |
| 2032-2036 | - | - | - | - |
| | <u>\$ 61,832</u> | <u>\$ 4,692</u> | <u>\$ 790,000</u> | <u>\$ -</u> |

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

| | | |
|--------------------------|-----------|----------|
| | \$ | 32,847 |
| Less: Payments 2015-2016 | | (32,847) |
| Balance, June 30, 2016 | <u>\$</u> | <u>-</u> |

Changes in Long-Term Liabilities

A summary of long-term liability activity follows:

| | July 1, 2015 Beginning Balance | Additions | Reductions | June 30, 2016 Ending Balance | Due Within One Year |
|--------------------------------|--------------------------------------|-------------------|----------------------|------------------------------------|---------------------------|
| Notes Payable | \$ 10,535,582 | \$ - | \$ 10,473,750 | \$ 61,832 | \$ 24,070 |
| Bonds Payable | 24,155,000 | - | 1,085,000 | 23,070,000 | 1,220,000 |
| Bond Premium | 702,555 | - | 50,889 | 651,666 | 45,988 |
| Tax Anticipation Note | 1,185,000 | 790,000 | 1,185,000 | 790,000 | 790,000 |
| Other Long-Term Obligations | 32,847 | - | 32,847 | - | - |
| Total | <u>\$ 36,610,984</u> | <u>\$ 790,000</u> | <u>\$ 12,827,486</u> | <u>\$ 24,573,498</u> | <u>\$ 2,080,058</u> |

NOTE 10 OPERATING LEASES

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

| | Total | Key Government DSL | | US Bank Copiers | LEAF Copiers | Solutions YES Copiers | Olstedt SCC | US Bank Copiers |
|-----------|-------------------|-----------------------|-----------------|--------------------|------------------|-----------------------------|------------------|--------------------|
| | | MERTS | Dock | | | | | |
| 2017 | \$ 74,929 | \$ 13,970 | \$ 337 | \$ 7,896 | \$ 5,160 | \$ 18,914 | \$ 19,820 | \$ 8,832 |
| 2018 | 59,050 | 14,389 | 347 | 5,264 | 5,160 | 4,729 | 20,329 | 8,832 |
| 2019 | 27,422 | 14,821 | 358 | - | 1,720 | - | 6,843 | 3,680 |
| 2020 | 15,635 | 15,266 | 369 | - | - | - | - | - |
| 2021 | 16,103 | 15,723 | 380 | - | - | - | - | - |
| 2022-2026 | 87,192 | 85,983 | 1,209 | - | - | - | - | - |
| 2027-2031 | 99,677 | 99,677 | - | - | - | - | - | - |
| 2032-2036 | - | - | - | - | - | - | - | - |
| | <u>\$ 380,008</u> | <u>\$ 259,829</u> | <u>\$ 3,000</u> | <u>\$ 13,160</u> | <u>\$ 12,040</u> | <u>\$ 23,643</u> | <u>\$ 46,992</u> | <u>\$ 21,344</u> |

Lease expense for the year ended June 30, 2016 was \$65,375.

**CLATSOP COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 BOARD CONFLICT 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 2015-2016.

NOTE 12 SUBSEQUENT EVENTS

In July 2016, a \$3,985,000 advance refunding of the 2009 \$5 million General Obligation (GO) Bond issue was completed. The advance refunding reduces annual debt payments for Clatsop County property owners. The bond shall be dated July 19, 2016 and mature on June 15, 2029.

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Patriot Hall Redevelopment project has the following pre-construction contracts and balances as of June 30, 2016:

| | |
|------------------|--------------|
| Carlson Testing | \$ 29,492 |
| GRI | \$ 10,781 |
| Jaques, Al | \$ 55,280 |
| OTAK | \$ 13,954 |
| P&C Construction | \$ 7,407,990 |
| SRG | \$ 203,586 |

REQUIRED SUPPLEMENTARY INFORMATION

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF CONTRIBUTIONS AND SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2016**

Governmental Accounting Standards Board Statement No. 68 (GASB 68) is an accounting standard governing financial reporting by governmental entities that participate in pension plans and is effective for the fiscal year ended June 30, 2015.

**SCHEDULE OF CONTRIBUTIONS
For the last three fiscal years**

| Year Ended June 30, | (a) Statutorily required contribution | (b) Contributions in relation to the statutorily required contribution | (a-b) Contribution deficiency (excess) | (c) District's covered payroll | (b/c) Contributions as a percent of covered payroll |
|---------------------------|--|--|---|---|---|
| 2016 | \$ 356,354 | \$ 356,354 | \$ - | \$ 6,481,333 | 5.50% |
| 2015 | \$ 414,249 | \$ 414,249 | \$ - | \$ 6,298,140 | 6.58% |
| 2014 | \$ 402,261 | \$ 402,261 | \$ - | \$ 6,164,785 | 6.53% |

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

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

At June 30, 2016, the College has a pension liability of \$2.2 million compared to a pension asset of \$787 thousand in 2015. District covered payroll is \$6.5 and \$6.3 million, respectively.

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the last three fiscal years**

| Year Ended June 30, | (a) District's proportion of the net pension liability (asset) | (b) District's proportionate share of the net pension liability (asset) | (c) District's covered payroll | (b/c) District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---------------------------|--|---|---|--|--|
| 2015 | 0.03901406% | \$ 2,239,977 | \$ 6,481,333 | 34.56% | 91.90% |
| 2014 | 0.03472124% | \$ (787,026) | \$ 6,298,140 | -12.50% | 103.60% |
| 2013 | 0.03472124% | \$ 1,771,876 | \$ 6,164,785 | 28.74% | 91.97% |

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

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

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
YEAR ENDED JUNE 30, 2016**

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% |
| June 30, 2015 | - | 606,758 | 606,758 | 0.00% | 1,904,654 | 31.86% |

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 |
| June 30, 2015 | - | 3,075 | 3,075 | 0.00% | - | NA |

SUPPLEMENTARY INFORMATION

**CLATSOP COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 2016**

| ASSETS | Current Funds | | Plant Funds | | | Long-Term Debt | Clubs and Organizations Fund | Total All Primary Funds (Memorandum Only) |
|--|---------------------|------------------|---------------------|----------------------------|----------------------|--------------------|------------------------------|---|
| | Unrestricted | Restricted | Unexpended | Retirement of Indebtedness | Investment in Plant | | | |
| Cash and Investments | \$ 885,271 | \$ (2,678) | \$ 3,775,707 | \$ - | \$ - | \$ 290,935 | \$ 47,773 | \$ 4,997,008 |
| Receivables: | | | | | | | | |
| Property Taxes | 473,983 | - | - | - | - | - | - | 473,983 |
| Governmental | 713,078 | - | - | - | - | - | - | 713,078 |
| Student Receivables (Less Allowance for Doubtful Accounts) | 674,319 | - | - | - | - | - | - | 674,319 |
| Inventories | 133,436 | - | - | - | - | - | - | 133,436 |
| Note Receivable from Auxiliary Funds | 205,000 | - | - | - | - | - | - | 205,000 |
| Property, Buildings, and Equipment: | | | | | | | | |
| Land | - | - | - | - | 85,535 | - | - | 85,535 |
| Construction in Progress | - | - | - | - | 8,006,866 | - | - | 8,006,866 |
| Land Improvements | - | - | - | - | 166,599 | - | - | 166,599 |
| Accumulated Depreciation | - | - | - | - | (83,300) | - | - | (83,300) |
| Buildings | - | - | - | - | 41,911,560 | - | - | 41,911,560 |
| Accumulated Depreciation | - | - | - | - | (11,833,849) | - | - | (11,833,849) |
| Equipment | - | - | - | - | 2,422,875 | - | - | 2,422,875 |
| Accumulated Depreciation | - | - | - | - | (2,276,718) | - | - | (2,276,718) |
| Library Books | - | - | - | - | 147,278 | - | - | 147,278 |
| Accumulated Depreciation | - | - | - | - | (147,068) | - | - | (147,068) |
| Other Assets | 46,685 | 71,512 | 8 | - | - | - | - | 118,205 |
| Total Assets | <u>\$ 3,131,772</u> | <u>\$ 68,834</u> | <u>\$ 3,775,715</u> | <u>\$ -</u> | <u>\$ 38,399,778</u> | <u>\$ 290,935</u> | <u>\$ 47,773</u> | <u>\$ 45,714,807</u> |
| Deferred Outflow of Resources | | | | | | | | |
| PERS | \$ 565,685 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 565,685 |
| Loss on Refunding | - | - | 257,592 | - | - | - | - | 257,592 |
| Total Deferred Outflows | <u>\$ 565,685</u> | <u>\$ -</u> | <u>\$ 257,592</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 823,277</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts Payable | \$ 710,757 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 710,757 |
| Accrued Liabilities | 726,989 | - | - | - | - | - | - | 726,989 |
| Miscellaneous Deposits | 1,271 | - | - | - | - | - | - | 1,271 |
| Due to Student Groups and Agencies | 30,000 | - | - | - | - | - | - | 30,000 |
| Short-Term Note Payable | 790,000 | - | - | - | - | - | - | 790,000 |
| Deferred Revenues | 552,468 | 68,834 | - | - | - | - | 47,773 | 669,075 |
| Accrued Interest Payable | - | - | 32,161 | - | - | - | - | 32,161 |
| Other Miscellaneous Liabilities | - | - | 651,666 | - | - | - | - | 651,666 |
| Net Pension Liability | 2,239,977 | - | - | - | - | - | - | 2,239,977 |
| Other Liabilities | 2,757 | - | - | - | - | - | - | 2,757 |
| Long-Term Debt: | | | | | | | | |
| Note Payable to General Fund | 205,000 | - | - | - | - | - | - | 205,000 |
| Other Postemployment Benefits | 185,195 | - | - | - | - | - | - | 185,195 |
| Bond Payable | - | - | 16,820,000 | - | - | 6,250,000 | - | 23,070,000 |
| Waterline Improvement Note to City of Astoria | - | - | - | - | 61,832 | - | - | 61,832 |
| Total Liabilities | <u>5,444,414</u> | <u>68,834</u> | <u>17,503,827</u> | <u>-</u> | <u>61,832</u> | <u>6,250,000</u> | <u>47,773</u> | <u>29,376,680</u> |
| PERS Deferred Inflow | 543,396 | - | - | - | - | - | - | 543,396 |
| Fund Balances | | | | | | | | |
| Unrestricted | (2,290,353) | - | - | - | - | (5,959,065) | - | (8,249,418) |
| Restricted - Expendable | - | - | 3,775,707 | - | - | - | - | 3,775,707 |
| Net Investment in Plant | - | - | (17,246,227) | - | 38,337,946 | - | - | 21,091,719 |
| Total Fund Balances | <u>(2,290,353)</u> | <u>-</u> | <u>(13,470,520)</u> | <u>-</u> | <u>38,337,946</u> | <u>(5,959,065)</u> | <u>-</u> | <u>16,618,008</u> |
| Total Liabilities, Deferred Inflow and Fund Balances | <u>\$ 3,697,457</u> | <u>\$ 68,834</u> | <u>\$ 4,033,307</u> | <u>\$ -</u> | <u>\$ 38,399,778</u> | <u>\$ 290,935</u> | <u>\$ 47,773</u> | <u>\$ 46,538,084</u> |

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016**

| | Current Funds | | | Plant Funds | | | Debt Service Fund | Clubs and Organizations Fund | Total All Funds (Memorandum Only) |
|---|-----------------------|------------------|-----------------------|------------------------|----------------------------|----------------------|-----------------------|------------------------------|-----------------------------------|
| | Unrestricted | Restricted | Total | Unexpended | Retirement of Indebtedness | Investment in Plant | | | |
| REVENUES | | | | | | | | | |
| Local Sources | \$ 4,616,852 | \$ 290,804 | \$ 4,907,656 | \$ 1,340,411 | \$ 949,383 | \$ - | \$ 653,333 | \$ - | \$ 7,850,783 |
| State Appropriations | 2,231,088 | 361,349 | 2,592,437 | - | - | - | - | - | 2,592,437 |
| Government Grants and Contracts | 2,010 | 3,432,663 | 3,434,673 | - | - | - | - | - | 3,434,673 |
| Tuition and Fees | 2,989,867 | 11,566 | 3,001,433 | - | - | - | - | - | 3,001,433 |
| Investment Income | 19,854 | - | 19,854 | 35,645 | - | - | 1,915 | - | 57,414 |
| Auxiliary Revenue | 352,678 | - | 352,678 | - | - | - | - | - | 352,678 |
| Other Additions | 64,283 | 73,928 | 138,211 | 2,932,679 | - | 6,340,244 | - | 43,584 | 9,454,718 |
| Total Revenues | 10,276,632 | 4,170,310 | 14,446,942 | 4,308,735 | 949,383 | 6,340,244 | 655,248 | 43,584 | 26,744,136 |
| EXPENDITURES AND MANDATORY TRANSFERS | | | | | | | | | |
| Educational and General: | | | | | | | | | |
| Instruction | 3,926,363 | 118,155 | 4,044,518 | - | - | - | - | - | 4,044,518 |
| Instructional Support | 1,110,762 | 229,078 | 1,339,840 | - | - | - | - | - | 1,339,840 |
| Student Services | 1,043,193 | 921,187 | 1,964,380 | - | - | - | - | 24,354 | 1,988,734 |
| Institutional Support (Admin.) | 2,047,693 | 73,928 | 2,121,621 | - | - | - | - | 14 | 2,121,635 |
| Operation and Maintenance of Plant | 1,108,131 | - | 1,108,131 | - | - | - | - | - | 1,108,131 |
| Auxiliary Enterprises | 401,489 | - | 401,489 | - | - | - | - | - | 401,489 |
| Community Services | 8,042 | 234,967 | 243,009 | - | - | - | - | 21,924 | 264,933 |
| Depreciation and Amortization Expense | - | - | - | 25,965 | - | 1,096,485 | - | - | 1,122,450 |
| Expended for Equipment and Facilities | - | - | - | 5,415,627 | - | - | - | - | 5,415,627 |
| Principal Expense | - | - | - | - | 877,519 | - | - | - | 877,519 |
| Interest Expense | - | - | - | (77,265) | 645,741 | - | 310,097 | - | 878,573 |
| Pension Expense | 2,217,688 | - | 2,217,688 | - | - | - | - | - | 2,217,688 |
| Other | - | - | - | - | 1,750 | - | 120 | - | 1,870 |
| Financial Aid | 145,431 | 2,609,630 | 2,755,061 | - | - | - | - | - | 2,755,061 |
| Total Educational and General | 12,008,792 | 4,186,945 | 16,195,737 | 5,364,327 | 1,525,010 | 1,096,485 | 310,217 | 46,292 | 24,538,068 |
| NONMANDATORY TRANSFERS, NET | 19,343 | (16,635) | 2,708 | 575,627 | (575,627) | - | - | (2,708) | - |
| NET INCREASE (DECREASE) IN FUND BALANCES | (1,751,503) | - | (1,751,503) | (1,631,219) | - | 5,243,759 | 345,031 | - | 2,206,068 |
| FUND BALANCE - JUNE 30, 2015 | | | | | | | | | |
| Unrestricted | (538,850) | - | (538,850) | 284,909 | - | - | (6,304,096) | - | (6,558,037) |
| Restricted - Expendable | - | - | - | 8,989,290 | - | - | - | - | 8,989,290 |
| Net Investment in Plant | - | - | - | (21,113,500) | - | 33,094,187 | - | - | 11,980,687 |
| FUND BALANCE - JUNE 30, 2016 | \$ (2,290,353) | \$ - | \$ (2,290,353) | \$ (13,470,520) | \$ - | \$ 38,337,946 | \$ (5,959,065) | \$ - | \$ 16,618,008 |

CLATSOP COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE COMPARED WITH BUDGET
YEAR ENDED JUNE 30, 2016

| General Fund | GAAP Actual | GAAP Adjustments | Budgetary Basis Actual | Budgeted Amount | Over (Under) Budget |
|--|------------------------------|--------------------------|---------------------------|--------------------|--------------------------|
| REVENUES | | | | | |
| State Sources | \$ 2,231,088 | \$ - | \$ 2,231,088 | \$ 1,980,000 | \$ 251,088 |
| Federal Sources | 2,010 | - | 2,010 | 5,000 | (2,990) |
| Local Sources: | | | | | |
| Current Year Property Taxes | 4,439,744 | - | 4,439,744 | 4,000,000 | 439,744 |
| Prior Years Property Taxes | 177,108 | - | 177,108 | 240,000 | (62,892) |
| Tuition and Fees | 2,989,867 | - | 2,989,867 | 3,031,238 | (41,371) |
| All Other | 84,137 | - | 84,137 | 976,700 | (892,563) |
| Total Revenues | <u>9,923,954</u> | <u>-</u> | <u>9,923,954</u> | <u>10,232,938</u> | <u>(308,984)</u> |
| EXPENDITURES | | | | | |
| Instruction | 3,926,363 | 23,765 | 3,950,128 | 4,041,285 | (91,157) |
| Support Services | 5,309,779 | 282,689 | 5,592,468 | 5,811,540 | (219,072) |
| Public Service | 8,042 | 46 | 8,088 | 9,183 | (1,095) |
| All Other | 2,363,119 | (2,217,688) | 145,431 | 347,380 | (201,949) |
| Total Expenditures | <u>11,607,303</u> | <u>(1,911,188)</u> | <u>9,696,115</u> | <u>10,209,388</u> | <u>(513,273)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | | |
| | (1,683,349) | 1,911,188 | 227,839 | 23,550 | 204,289 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | - | - | - | - | - |
| Transfers Out | (19,343) | - | (19,343) | (23,550) | 4,207 |
| Total Other Financing Sources (Uses) | <u>(19,343)</u> | <u>-</u> | <u>(19,343)</u> | <u>(23,550)</u> | <u>4,207</u> |
| NET CHANGES IN FUND BALANCE | | | | | |
| | (1,702,692) | 1,911,188 | 208,496 | - | 208,496 |
| Fund Balance - Beginning of Year | <u>262,763</u> | <u>(1,017,718)</u> | <u>713,945</u> | <u>-</u> | <u>713,945</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ (1,439,929)</u></u> | <u><u>\$ 893,470</u></u> | <u><u>\$ 922,441</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 922,441</u></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, 2016**

| Auxiliary Enterprises Fund | GAAP Actual | GAAP Adjustments | Budgetary Basis Actual | Budgeted Amount | Over (Under) Budget |
|--|---------------------|---------------------|---------------------------|--------------------|------------------------|
| REVENUES | | | | | |
| Bookstore Sales | \$ 250,615 | \$ 3,079 | \$ 253,694 | \$ 691,839 | \$ (438,145) |
| All Other | 102,063 | 22,748 | 124,811 | 119,591 | 5,220 |
| Total Revenues | 352,678 | 25,827 | 378,505 | 811,430 | (432,925) |
| EXPENDITURES | | | | | |
| Total Instruction | 84,929 | - | 84,929 | 94,591 | (9,662) |
| Total Support Services | 300,118 | - | 300,118 | 695,706 | (395,588) |
| Total Public Service | 16,442 | - | 16,442 | 21,133 | (4,691) |
| Total Expenditures | 401,489 | - | 401,489 | 811,430 | (409,941) |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (48,811) | 25,827 | (22,984) | - | (22,984) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | - | - | - | - | - |
| Transfers Out | - | - | - | - | - |
| Sources (Uses) | - | - | - | - | - |
| NET CHANGES IN FUND BALANCE | (48,811) | 25,827 | (22,984) | - | (22,984) |
| Fund Balance - Beginning of Year | (584,909) | 236,243 | (348,666) | - | (348,666) |
| FUND BALANCE - END OF YEAR | <u>\$ (633,720)</u> | <u>\$ 262,070</u> | <u>\$ (371,650)</u> | <u>\$ -</u> | <u>\$ (371,650)</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, 2016

| Restricted Fund | GAAP Actual | GAAP Adjustments | Actual Amount | Budgeted Amount | Over (Under) Budget |
|--|--------------|---------------------|------------------|--------------------|------------------------|
| REVENUES | | | | | |
| Federal Sources | \$ 3,432,663 | \$ - | \$ 3,432,663 | \$ 4,408,634 | \$ (975,971) |
| State Sources | 361,349 | - | 361,349 | 317,157 | 44,192 |
| Local Sources | 290,804 | - | 290,804 | 239,871 | 50,933 |
| Tuition and Fees | 11,566 | - | 11,566 | 25,000 | (13,434) |
| Other | 73,928 | - | 73,928 | 366,916 | (292,988) |
| Total Revenues | 4,170,310 | - | 4,170,310 | 5,357,578 | (1,187,268) |
| EXPENDITURES | | | | | |
| Total Instruction | 118,155 | - | 118,155 | 115,913 | 2,242 |
| Total Support Services | 1,224,193 | - | 1,224,193 | 1,410,350 | (186,157) |
| Total Public Service | 234,967 | - | 234,967 | 276,055 | (41,088) |
| All Other | 2,609,630 | - | 2,609,630 | 3,575,310 | (965,680) |
| Total Expenditures | 4,186,945 | - | 4,186,945 | 5,377,628 | (1,190,683) |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | | |
| | (16,635) | - | (16,635) | (20,050) | 3,415 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 16,635 | - | 16,635 | 20,050 | (3,415) |
| NET CHANGES IN FUND BALANCE | | | | | |
| | - | - | - | - | - |
| Fund Balance - Beginning of Year (Restated) | - | - | - | - | - |
| FUND BALANCE - END OF YEAR | | | | | |
| | \$ - | \$ - | \$ - | \$ - | \$ - |

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, 2016

| Unexpended Plant Fund | GAAP Actual | GAAP Adjustments | Budgetary Basis Actual | Budgeted Amount | Over (Under) Budget |
|--|------------------------|----------------------|---------------------------|--------------------|------------------------|
| REVENUES | | | | | |
| Investment Income | \$ 35,645 | \$ - | \$ 35,645 | \$ - | \$ 35,645 |
| Timber Sales | 1,340,411 | - | 1,340,411 | 576,935 | 763,476 |
| Other | 2,932,679 | (2,928,119) | 4,560 | 16,876,710 | (16,872,150) |
| Total Revenues | 4,308,735 | (2,928,119) | 1,380,616 | 17,453,645 | (16,073,029) |
| EXPENDITURES | | | | | |
| All Other Expenditures | 5,364,327 | 939,146 | 6,303,473 | 16,877,260 | (10,573,787) |
| Total Expenditures | 5,364,327 | 939,146 | 6,303,473 | 16,877,260 | (10,573,787) |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | | |
| | (1,055,592) | (3,867,265) | (4,922,857) | 576,385 | (5,499,242) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In from ASH and GO Bond | - | - | - | - | - |
| Transfers Out to Debt Service | (575,627) | - | (575,627) | (576,385) | 758 |
| Transfers Out to Project | - | - | - | - | - |
| Total Other Financing Sources (Uses) | (575,627) | - | (575,627) | (576,385) | 758 |
| NET CHANGES IN FUND BALANCE | | | | | |
| | (1,631,219) | (3,867,265) | (5,498,484) | - | (5,498,484) |
| Fund Balance - Beginning of Year | (11,839,301) | 24,515,013 | 4,360,903 | - | 10,910,671 |
| FUND BALANCE - END OF YEAR | <u>\$ (13,470,520)</u> | <u>\$ 20,647,748</u> | <u>\$ (1,137,581)</u> | <u>\$ -</u> | <u>\$ 5,412,187</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, 2016**

| Plant - Retirement of Indebtedness | GAAP Actual | GAAP Adjustments | Budgetary Basis Actual | Budgeted Amount | Over (Under) Budget |
|--|-------------|------------------|------------------------|-----------------|---------------------|
| REVENUES | \$ 949,383 | \$ - | \$ 949,383 | \$ 949,638 | \$ (255) |
| EXPENDITURES | 1,525,010 | - | 1,525,010 | 1,526,023 | (1,013) |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (575,627) | - | (575,627) | (576,385) | 758 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in from Unexpended Plant | 575,627 | - | 575,627 | 576,385 | (758) |
| Total Other Financing Sources (Uses) | 575,627 | - | 575,627 | 576,385 | (758) |
| 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, 2016**

| Debt Service Fund | GAAP Actual | GAAP Adjustments | Budgetary Basis Actual | Budgeted Amount | Over (Under) Budget |
|--|------------------------------|-------------------------|---------------------------|--------------------|-------------------------|
| REVENUES | | | | | |
| Other Local Revenue | \$ 653,333 | \$ - | \$ 653,333 | \$ 766,973 | \$ (113,640) |
| Investment Income | 1,915 | - | 1,915 | 1,000 | 915 |
| Total Revenues | <u>655,248</u> | <u>-</u> | <u>655,248</u> | <u>767,973</u> | <u>(112,725)</u> |
| EXPENDITURES | | | | | |
| Total Other Uses | <u>310,217</u> | <u>230,000</u> | <u>540,217</u> | <u>767,973</u> | <u>(227,756)</u> |
| Total Expenditures | <u>310,217</u> | <u>230,000</u> | <u>540,217</u> | <u>767,973</u> | <u>(227,756)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | | |
| | <u>345,031</u> | <u>(230,000)</u> | <u>115,031</u> | <u>-</u> | <u>115,031</u> |
| NET CHANGES IN FUND BALANCE | | | | | |
| | 345,031 | (230,000) | 115,031 | - | 115,031 |
| Fund Balance - Beginning of Year | <u>(6,304,096)</u> | <u>275,060</u> | <u>(73,884)</u> | <u>-</u> | <u>(73,884)</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ (5,959,065)</u></u> | <u><u>\$ 45,060</u></u> | <u><u>\$ 41,147</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 41,147</u></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, 2016**

| <u>Clubs and Organizations Fund</u> | <u>Actual Amount</u> | <u>Budgeted Amount</u> | <u>Over (Under) Budget</u> |
|--|--------------------------|----------------------------|--------------------------------|
| REVENUES | | | |
| Fees | \$ 43,584 | \$ 57,773 | \$ (14,189) |
| Total Revenues | <u>43,584</u> | <u>57,773</u> | <u>(14,189)</u> |
| EXPENDITURES | | | |
| Total Support Services | 14 | 24,493 | (24,479) |
| Total Other | 24,354 | 13,171 | 11,183 |
| Total Public Service | 21,924 | 23,604 | (1,680) |
| Total Expenditures | <u>46,292</u> | <u>61,268</u> | <u>(14,976)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (2,708) | (3,495) | 787 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | 2,708 | 3,500 | (792) |
| Transfers out | - | (5) | 5 |
| Total Other Financing Sources (Uses) | <u>2,708</u> | <u>3,495</u> | <u>(787)</u> |
| NET CHANGES IN FUND BALANCE | - | - | - |
| Fund Balance - Beginning of Year | - | - | - |
| 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, 2016, and have issued our report thereon dated December 13, 2016.

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:

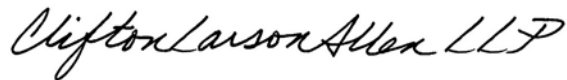
- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of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

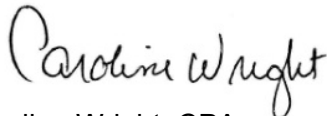
In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 13, 2016



Caroline Wright, CPA
Director
Oregon License #13852
Municipal License #1569



**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 discretely presented component unit of Clatsop Community College, as of and for the year ended June 30, 2016, 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 13, 2016. 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.

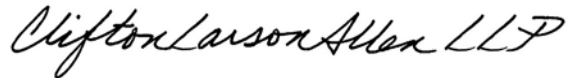
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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*.

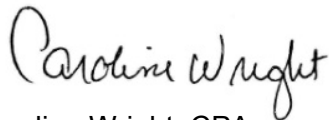
Purpose of this Report

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

Bellevue, Washington
December 13, 2016



Caroline Wright, CPA
Director
Oregon License #13852
Municipal License #1569



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

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

Clatsop Community College's response to the noncompliance findings identified in our audit are 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002, which we consider to be significant deficiencies.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
December 13, 2016

Caroline Wright

Caroline Wright, CPA
Director
Oregon License #13852
Municipal License #1569

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

| Federal Grantor/Pass through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|--|-------------------------|
| STUDENT FINANCIAL AID ASSISTANCE CLUSTER: | | | |
| Department of Education Direct Programs | | | |
| Federal Pell Grant Program | 84.063 | | \$ 1,206,769 |
| Federal Direct Student Loans | 84.268 | | 849,708 |
| Federal Supplemental Educational Opportunity Grants | 84.007 | | 96,216 |
| Federal Work-Study Program | 84.033 | | 96,813 |
| Total Department of Education Direct Programs | | | <u>2,249,506</u> |
| TRIO CLUSTER: | | | |
| Department of Education Direct Programs | | | |
| TRIO—Talent Search | 84.044 | | 313,777 |
| TRIO—Upward Bound | 84.047 | | 304,725 |
| TRIO—Student Support Services | 84.042 | | 287,972 |
| Total TRIO Cluster | | | <u>906,474</u> |
| Department of Education Pass-Through Programs From: | | | |
| State Department of Education—Career and Technical Education— Basic Grants to States | 84.048 | 36401 / 36427 | 110,215 |
| Higher Education Coordinating Commission—Adult Education— Basic Grants to States | 84.002 | EE151608 | 118,062 |
| Subtotal Department of Education Pass-Through Programs | | | <u>228,277</u> |
| Total Department of Education | | | <u>3,384,257</u> |
| U.S. Department of the Interior National Park Service | | | |
| Cultural Resource Management | 15.956 | | 18,156 |
| Small Business Administration Pass-Through Program From: | | | |
| Oregon Small Business Development Network Office— Small Business Development Center | 59.037 | 15-144 | <u>30,250</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 3,432,663</u> |

See accompanying Note to Schedule of Expenditures of Federal Awards.

CLATSOP COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

NOTE 1 BASIS OF PRESENTATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? X 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 2 CFR 200.516(a)? X yes _____ no

Identification of major programs:

| | |
|-----------------------|---|
| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|

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 |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section II - Financial Statement Findings

There were no findings required to be reported relating to financial statements for the fiscal year ended June 30, 2016.

Section III - Federal Award Findings and Questioned Costs

Finding 2016-001

Program Information

Federal agency: U.S. Department of Education

Federal program title: Student Financial Aid Cluster:

CFDA Number: 84.268 - Federal Direct Loans

Award Period: July 1, 2015 to June 30, 2016

Type of Finding:

- Compliance, Other Matter
- Significant Deficiency in Internal Control over Compliance

Criteria

Federal regulation requires that students be notified of at the time of any loan disbursements made to their student accounts.

Condition Found and Context

During our testing, we noted 4 out of the 40 students tested did not receive a notification for at least one disbursement made to them during the award year.

Effect

The College did not notified students of loan funds that were disbursed to their account giving them the opportunity to cancel or reduce the loan in a timely manner.

Cause

The loan notification process is a manual process for which some batch disbursements were missed while the staff in charge of sending out the notifications was on paid time off.

Questioned Costs

None

Repeat Finding

No

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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

Finding 2016-001 (Continued)

Recommendation

We recommend that the College put a review process in place to ensure that if disbursement notifications are missed, the review process will catch in a timely fashion and allow the notifications to be made. Also recommend that more than one staff member be trained in sending the notifications so they can still be sent if the primary person is on paid time off.

Views of responsible officials and planned corrective actions

Explanation of disagreement with audit finding:

There is no disagreement with the audit finding.

Actions planned in response to finding:

The staff responsible for loan notification contacted our software vendor to request that a report be created to list all loan distributions to student accounts. Staff was informed that such a report had already been created and was trained in how to run it. The loan distribution report is run periodically and compared to the email notifications to ensure that all students receiving loans are notified within the required timeframe.

Multiple members of the Business Office have been trained in running the loan distribution report and in creating the mass email notification to the students to ensure that the absence of the Director of Accounting does not hold up the required notification to students.

Responsible party:

Director of Accounting Services

Planned completion date for corrective action plan:

Already completed.

Plan to monitor completion of corrective action plan:

The loan distribution report is run periodically and compared to the email notifications to ensure that all students receiving loans are notified within the required timeframe. Multiple members of the Business Office have been trained in running the loan distribution report and in creating the mass email notification to the students to ensure that the absence of the Director of Accounting does not hold up the required notification to students.

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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

Finding 2016-002

Program Information

Federal agency: U.S. Department of Education

Federal program title: Student Financial Aid Cluster:

CFDA Number: 84.063 – Federal Pell Grant Program

84.268 - Federal Direct Loans

Award Period: July 1, 2015 to June 30, 2016

Type of Finding:

- Compliance, Other Matter
- Significant Deficiency in Internal Control over Compliance

Criteria

Federal regulation requires the College to update graduates from withdrawn once the degree is conferred. Federal regulations also require the College to update within 10 days any error files returned from a roster file submission.

Condition Found and Context

During our testing, we noted 1 out of the 25 NSLDS status changes were not updated from withdrawn to graduate. Also, all roster submissions had error files returned which were not resolved.

Effect

The College did not update statuses from withdrawn to graduate on NSLDS, and error files were not corrected within 10 days. This could affect the date for which payment is due back to the government and the grace period received along with the aid the student is eligible for in the future.

Cause

The cause of the graduates not being updated and the error files from roster submissions not being corrected within the required 10 days was due to the College using the National Student Clearinghouse (NSC) to report to NSLDS. These errors were reported in their compliance report. It was noted that the graduate was properly reported to NSC however, due to the error files not being corrected, the status never made it to NSLDS.

Questioned Costs

None

Repeat Finding

Yes

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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

Finding 2016-002 (Continued)

Recommendation

We recommend that the College put a process in place to monitor the reporting they have outsourced to a third party, NSC, to ensure they are performing the functions they have been assigned. Corrective action should also be taken if an error is determined to have occurred and that action be done in a timely matter to meet all reporting requirements.

Views of responsible officials and planned corrective actions

Explanation of disagreement with audit finding:

There is no disagreement with the audit finding.

Actions planned in response to finding:

To address the issue of associated with not updating status from withdrawn to graduate, the College will monitor graduates reported to NSC to ensure college-reported graduate status is recorded in NSLDS, focusing on graduates who re-enroll and later withdraw prior to completion of the term.

To address the issue of error files not corrected within 10 days, the College has requested additional error reports from both the National Student Clearinghouse and NSLDS to ensure the College addresses errors before deadlines.

Responsible party:

Registrar

Planned completion date for corrective action plan:

Resolution of one reported error within NSDLS will be corrected January 2017. All other actions to be implemented January 2017.

Plan to monitor completion of corrective action plan:

- Registrar to verify that error record of NSLDS issues provided to NSC have been addressed.
- Continue to provide graduate list to financial aid office after third party submission to verify correct status update within NSLDS (January, April, July, and September).

**CLATSOP COMMUNITY COLLEGE
PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Section II - Financial Statement Findings

None recorded.

Section III - Federal Award Findings and Questioned Costs

Finding 2015-001

During this year's testing of Pell awards, we determined corrective action was implemented. No similar findings were noted during the current year audit.

Finding 2015-002

See current year finding

Reason for finding's recurrence: Clatsop Community College contracted with NSC to report to NSDLS. NSC did not allocate proper resources to properly report to the NSLDS.

Finding 2015-003

During this year's testing of first time borrowers, we determined corrective action was implemented. No similar findings were noted during the current year audit.