

SOUTHWESTERN OREGON COMMUNITY COLLEGE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023



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**SOUTHWESTERN OREGON COMMUNITY COLLEGE
COLLEGE OFFICIALS
JUNE 30, 2023**

Marcia Jensen, Board Chair
68001 Rhoadie Lane
North Bend, OR 97459

Susan Anderson
557 North 4th Court
Coos Bay, OR 97420

Harry Abel
1054 Seagate Avenue
Coos Bay, OR 97420

Maria Sudduth
PO Box 1343
95880 Eggers Road
Brookings, OR 97415

David Bridgham
PO Box 752
North Bend, OR 97459

Christine Haynsworth
PO Box 63
Coquille, OR 97423

Calvin Mukumoto
680 S. 12th Court
Coos Bay, OR 97420

Kathy Erickson
93625 Links Lane
Coos Bay, OR 97420

Dr. Patty Scott
President/Clerk

Jeff Whitey
(Former) Vice President of Administrative Services

Rachele Lyon
Vice President of Administrative Services

Leigh FitzHenry
Executive Director of Finance & Budget

Southwestern Oregon Community College
1988 Newmark Avenue
Coos Bay, OR 97420



INDEPENDENT AUDITORS' REPORT

Board of Education
Southwestern Oregon Community College
Coos Bay, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Southwestern Oregon Community College, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Southwestern Oregon Community College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Southwestern Oregon Community College, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southwestern Oregon Community College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

As disclosed in Note 1, the College implemented the provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The Standard requires the entity to recognize a right-of-use subscription asset and corresponding subscription liability for all SBITA agreements with terms greater than twelve months. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwestern Oregon Community College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southwestern Oregon Community College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwestern Oregon Community College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, schedule of contributions of net pension liability, and schedule of changes in total OPEB liability and related ratios 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southwestern Oregon Community College's basic financial statements. The individual fund budgetary comparison schedules and schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

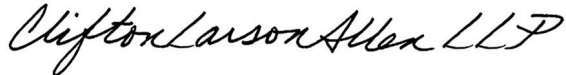
Management is responsible for the other information included in the annual report. The other information comprises the listing of college officials but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023, on our consideration of Southwestern Oregon Community College’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion the effectiveness of the Southwestern Oregon Community College’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwestern Oregon 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 5, 2023, on our consideration of Southwestern Oregon 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 Southwestern Oregon Community College’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Bellevue, Washington
December 5, 2023



Jean Bushong, CPA
Principal
CPA License #98624
Oregon Municipal License #1662

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Management prepares this section of the financial report assuming all responsibility of the completeness and reliability of its content. This discussion and analysis provides a narrative of the financial activities of Southwestern Oregon Community College (the College) for the fiscal years ended June 30, 2023 and 2022. This section assists the reader in identifying significant financial changes and provides an overview of the College's financial activities. In order for the reader to obtain a thorough understanding this section should be read in conjunction with the following financial statements and notes in their entirety.

Financial Highlights

The following are significant events impacting the College during fiscal year 2023:

- Overall, in 2022-2023, unduplicated student increased slightly with 166 additional students ending the year at 4,190, representing an increase of approximately 4%. There was a change in reimbursable FTE with an overall decline of 4% with 64 fewer reimbursable FTE. At the same time, billing credits experienced a decrease of 2,284 from prior year representing an 5% reduction overall. This change was primarily due to the decrease in summer enrollment with free tuition and fees, supported by CARES funding the prior year.
- Southwestern used the remaining CARES funding to replace the dated door hardware with new electronic door access and hardware for campus exterior buildings. This system will allow staff to lockdown and restrict access if an outbreak or danger is present efficiently and timely to keep faculty, staff, students, and college assets safe and secure. Installation will occur in the upcoming fiscal year as well as new campus security cameras.
- In fiscal year 2022-23, Southwestern received and managed 71 various grants. In that list, the college received almost \$1 million in Future Ready grants designed to support Career Pathways, BOLI and Credit for Prior Learning. These funds allowed purchase of a nursing simulator for Curry Campus, an OCCI Food Truck, equipment and structure upgrades for a new Agroecology program and 5 heavy equipment simulators for a new Pre-Apprenticeship program. A GEER Coursesharing grant assisted the college in upgrading our online learning platform to Canvas in partnership with numerous other Oregon community colleges.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to Southwestern Oregon Community College's annual financial report. The Basic Financial Statements are comprised of the college-wide Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Following the basic financial statements are the Notes, Supplementary Information section, and the Accompanying Information. The college-wide 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 statements provide both short-term and long-term financial information focusing on the financial condition of the College, the results of operations, and cash flows of the College as a whole. The financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. Embedded within the statements are the activities of "SWOCC QALICB," a blended component of the College. SWOCC QALICB (QALICB) was established in 2018 to manage the New Markets Tax Credit. In addition, the Southwestern Oregon Community College Foundation financial statement is included in the basic financial statements and notes.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

The basic financial statements are comprised of the following:

The Statement of Net Position presents information on all of the College's and QALICB's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the sections reported as net position. Over time, increases or decreases in net position are indicators of stability or erosion of the College's financial health, when considered along with other non-financial factors such as enrollment levels, condition of the facilities, and or Oregon's economy.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the fiscal year using the accrual basis of accounting, such that all changes in net position are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation). The utilization of long-lived assets is reflected as depreciation, amortizing the cost of the capital asset over the expected useful life. Revenues and expenses are reported as either operating or non-operating, with operating revenues primarily coming from tuition and fees, grants, and contracts. State appropriations and property taxes are classified as non-operating revenues. The College reports operating expenses by functions such as instruction, college support, and instructional support. Interest is the main component of non-operating expenses.

The Statement of Cash Flows presents information on the inflow and outflow of cash from operating activities, non-capital financial activities, capital financing activities and investing activities. In addition, 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 Basic Financial Statements are required to complete the college-wide statements, and are an integral component of the basic financial statements, providing additional information that is essential to a full understanding of the financial data reported.

Analysis of the Statement of Net Position

Total assets and deferred outflows of resources were almost \$86 million in fiscal year 2023, an increase of about \$2.96 million from fiscal year 2022. The increase is primarily due to an increase in special projects accounts receivable balances at the fiscal year end. Deferred outflows decreased \$1.24 million from prior year.

Total liabilities and deferred inflows of resources decreased from about \$77.7 million in fiscal year 2022 to about \$77.1 million in 2023 a difference of \$0.6 million. Current liabilities increased \$3.77 million primarily with accounts payable increasing about \$2.34 million and unearned revenues increasing \$1.15 million due to timing of received invoices and grants. Noncurrent liabilities decreased \$0.7 million in 2023 primarily due to long-term debt decreasing \$2.78 million and net pension liability increase of \$1.34 million. Deferred inflows related to pensions decreased almost \$3.6 million.

The College's net position at June 30, 2023 saw almost a \$3.5 million increase over the prior year, ending the year at about \$8.9 million. Federal grants and contracts increased \$5 million in 2023 while auxiliary enterprises saw a 10.9 percent decrease in revenue triggering lower expenses of 16.9 percent.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Net position is broken into three parts 1) net investment in capital assets less any outstanding related debt used to acquire those assets, 2) restricted and 3) unrestricted net position. The College uses capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

	2023	2022	Change %
ASSETS			
Current Assets	\$ 14,499,291	\$ 9,727,241	49.1%
Current Assets - Restricted	600,988	455,045	32.1
Capital Assets, Net of Depreciation	65,441,340	66,583,647	(1.7)
Other Noncurrent Assets	637,196	208,398	205.8
Deferred Outflows of Resources	4,814,114	6,058,418	(20.5)
Total Assets and Deferred Outflows	\$ 85,992,929	\$ 83,032,749	3.6
LIABILITIES			
Current Liabilities	\$ 8,180,726	\$ 4,406,976	85.6
Noncurrent Liabilities	61,646,761	62,382,586	(1.2)
Deferred Inflows of Resources	7,261,783	10,878,857	(33.2)
Total Liabilities and Deferred Inflows	77,089,270	77,668,419	(0.7)
NET POSITION			
Net Investment in Capital Assets	23,414,663	23,433,858	(0.1)
Restricted - OPEB Asset	193,718	-	
Unrestricted	(14,704,722)	(18,069,528)	(18.6)
Total Net Position	\$ 8,903,659	\$ 5,364,330	66.0%

Current assets include pooled cash and investments, accounts receivable, prepaid expenses, and inventory. Current liabilities of the College are comprised of various payables for operation, short-term borrowing, payroll, current portion of long-term debt, and unearned revenues.

Non-current assets is primarily comprised of a net other post-employment benefit asset and the lease receivable. Deferred outflows of resources and deferred inflows of resources consist of amounts related to pensions, postemployment benefits, and deferred charges on debt refunding. Non-current liabilities include bonds payable, capital leases, other post-employment benefits, and net pension liability.

Currently, \$23.4 million represents the net investment in capital assets which is comparable to prior year. The unrestricted net position is used for the College's operations.

Analysis of the 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 appropriations and property taxes, while budgeted for operations, generally accepted accounting principles require reporting them as nonoperating revenues.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change %</u>
OPERATING REVENUES			
Tuition and Fees, Net of Scholarship Allowances	\$ 3,511,047	\$ 4,641,438	(24.4%)
Federal, State, and Local Grants and Contracts	14,406,406	9,287,305	55.1
Auxiliary Enterprises	4,038,674	4,534,455	(10.9)
Other Operating Revenue	1,704,159	1,877,372	(9.2)
Total Operating Revenues	<u>23,660,286</u>	<u>20,340,570</u>	16.3
OPERATING EXPENSES			
Instruction	6,629,986	6,466,070	2.5
Instructional Support	667,671	1,047,497	(36.3)
College Support	7,380,822	8,206,042	(10.1)
Student Services	5,959,645	6,947,122	(14.2)
Plant Operations and Maintenance	1,213,107	1,154,443	5.1
Community Services	4,323,970	2,797,509	54.6
Student Financial Aid	4,105,156	4,233,128	(3.0)
Auxiliary Enterprises	2,854,726	3,433,928	(16.9)
Postemployment and Early Retirement Costs	91,501	(15,845)	(677.5)
Depreciation	3,461,248	3,300,904	4.9
Total Operating Expenses	<u>36,687,832</u>	<u>37,570,798</u>	(2.4)
OPERATING LOSS	(13,027,546)	(17,230,228)	(24.4)
NONOPERATING REVENUES			
State Community College Support	8,399,761	8,136,738	3.2
Other State Sources	143,583	-	
Property Taxes	7,000,112	6,748,343	3.7
Pell Grants	2,285,528	2,191,314	4.3
Gain (Loss) on Disposal of Assets	(11,389)	(37,788)	(69.9)
Interest Income	322,233	182,182	76.9
Federal grants and contracts	1,347,373	4,008,904	(66.4)
Donations	439,038	419,857	4.6
Interest Expense	(1,618,646)	(1,741,907)	(7.1)
Other Nonoperating Expenses	(1,740,718)	12,108	(14,476.6)
Total Nonoperating Revenues, Net	<u>16,566,875</u>	<u>19,919,751</u>	(16.8)
CHANGES IN NET POSITION	3,539,329	2,689,523	31.6
Net Position - Beginning of Year	<u>5,364,330</u>	<u>2,674,807</u>	100.6
NET POSITION - END OF YEAR	<u>\$ 8,903,659</u>	<u>\$ 5,364,330</u>	66.0%

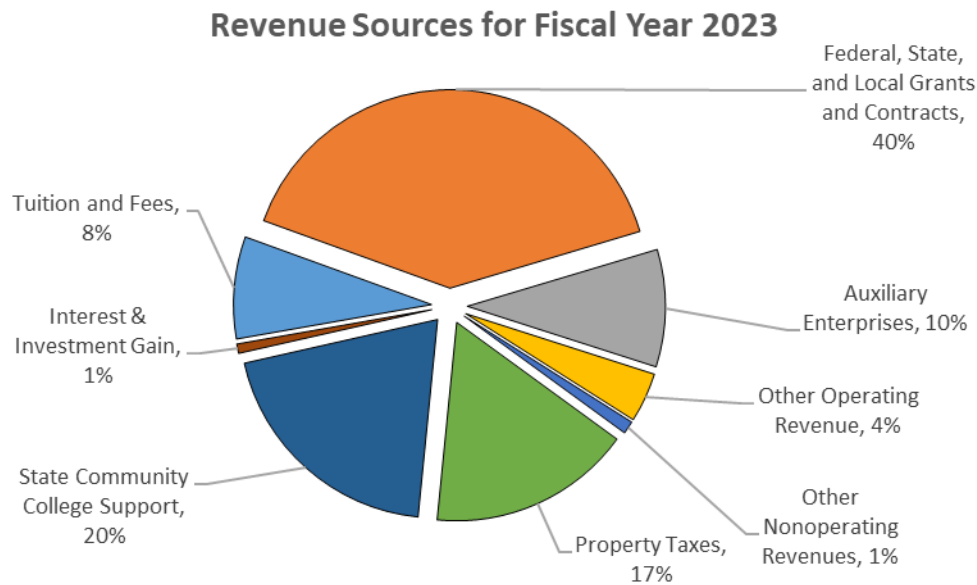
**SOUTHWESTERN OREGON COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Analysis of the Statement of Revenues, Expenses, and Changes in Net Position (Continued)

The most significant sources of operating revenues for the College are federal, state, and local grants and contracts. Other significant sources are student tuition and fees and auxiliary services such as Student Housing, Oregon Coast Culinary Institute, Dining Services and the Campus Store. Auxiliary enterprises decreased nearly 11 percent, tuition and fees decreased over 24 percent, and other operating revenue decreased over 9 percent. As a whole, operating revenues increased 16.3 percent in 2023 primarily due to over a 55 percent increase in federal, state, and local grants and contracts.

Non-operating revenues decreased over the prior year by \$3.4 million. Over \$1.7 million of the decrease was due to HEERF grant funding majorly being spent in 2022. Changes in revenues resulted from a major increase in state grants of \$1.6 million and federal grants of \$1.2 million.

The following graph shows the allocation of revenues, both operating and nonoperating, for the College:



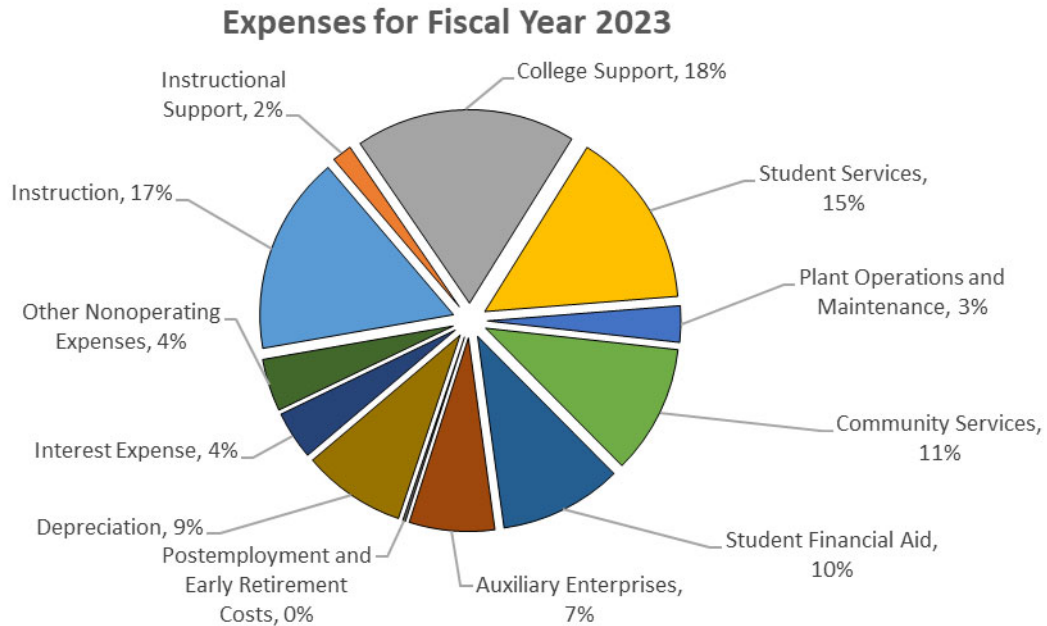
Operating expenses include salaries and benefits, materials and services, utilities, scholarships, and depreciation. Instruction, college support, and plant operations and maintenance represent the largest portion of operating expenses. The most significant non-operating expense is interest on long-term debt.

Operating expenses saw a decrease of \$0.8 million. Student services and college support HEERF funding decreased \$1.8 million while community services increased \$1.5 million due to grant funding. Student financial aid remained static with 2022 and auxiliary enterprises decreased \$0.5 million to offset lower revenues.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Analysis of the Statement of Revenues, Expenses, and Changes in Net Position (Continued)

The following graph shows the allocation of expenses, both operating and nonoperating, for the College:



Budgetary Highlights

The College adopts an annual budget at the organizational unit level, using the modified accrual basis of accounting for all funds. After the adoption of the budget transfers of appropriations between existing budgetary categories can be authorized by Board resolution providing the change is 10 percent or less than the total appropriations of the fund. Minor changes between the Adopted Budget and the Adjusted Budget included adjustments from personnel services to materials and services and to capital outlay.

Capital Assets and Debt Administration

Capital Assets

The College's investment in capital assets as of June 30, 2023 is \$65.4 million net of accumulated depreciation. Investment in capital assets (depreciable and non-depreciable) includes land, buildings, improvements, construction in progress, equipment, and art & historical treasures.

Additional information on capital assets can be found in Note 5 of the basic financial statements.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Capital Assets and Debt Administration (Continued)

Long Term Debt

At the end of the fiscal year, the College had long-term debt instruments with a total outstanding principal of \$48.3 million. Of this amount, almost \$31.7 million is comprised of debt backed by the full faith and credit of the College (bonds), and the QALICB had \$11.3 million in notes payable.

Oregon Revised Statutes Chapter 341 limits the amount of general obligation bonds which an Oregon community college may have outstanding at any time to 1.5 percent of the true cash value of the taxable property within the community college district. The College has no general obligation bonds outstanding at this time. However, subject to voter approval, the College could issue approximately \$207.6 million of general obligation bonds and stay within the limit. Obligations secured by lease payments and other non-general obligations are not subject to the debt limitations described in this section.

Additional information on the College long-term debt can be found in Note 6, 7, and 9 of the notes to the basic financial statements.

Economic Factors and Next Year's Budget

The financial position of the College is primarily dependent on three factors; 1) the economic and financial condition of the State and its appropriation for community colleges 2) economic conditions of the College community that impact new construction levels and property values related to property tax revenue, and 3) enrollment levels. The College projects its revenues based on the State's revenue forecast and historical trend analysis and the economic outlook for enrollment and property taxes. Using these methods, the College continues to aggressively manage its financial position by developing new programs to meet the ever-changing job market, strengthening retention, providing numerous athletic programs, and ensuring student success.

The Higher Education Coordinating Commission (HECC) approved a funding distribution model change beginning in FY2025 that will deliver an increasing percentage of the state's resources on the basis of demographics and student outcomes. Southwestern will be closely monitoring this change and the impact it will have on the upcoming distributions while making the changes to secure the College's portion of the distribution.

In an effort to maintain sustainability, Southwestern Oregon Community College adopted a conservative budget for 2023-2024 with expectations of lower enrollment for the academic year due to both the current economic climate as well as the looming enrollment cliff that is projected in future years. The college continues to monitor and build new programs and classes to both grow enrollment and fill the needs of the community.

Southwestern continues to be innovative with partnering, fundraising and grant writing. The College continues to leverage grant funding to aid in growth, student success, enrollment and education. Southwestern has been awarded multiple new grants including a number pertaining to Pre-Apprenticeship, Career Pathways, and a five-year Title III grant geared to enhance our instructional and student services practices so that we continue to lead the state in time to degree and student success rate.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

To remain financially stable, the College reviews processes and adjusts or modifies current practices to ensure student's needs and student completion remain a priority. When building the expenditure side of the budget the executive team reviews requests from deans and directors, setting aside funds for those that met the College's Guiding Principles and Strategic Priorities. The college's strategic priorities include student success, enrollment, equity, capital and technology. Student success and enrollment priorities in Instruction and Student Services included reallocating and/or redesigning vacant positions to create better alignment between the two areas and meet the demands of increased enrollments in various programs. Cybersecurity enhancements are the focus for ITS for the upcoming fiscal year.

Request for Information

This financial report is designed to provide an overview of Southwestern Oregon Community College District's financial status. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to:

Business Services
Southwestern Oregon Community College
1988 Newmark Avenue
Coos Bay OR 97420

SOUTHWESTERN OREGON COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS	<u>Primary Government</u>	<u>Component Unit</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,482,456	\$ 105,076
Restricted Cash and Cash Equivalents	331,621	-
Restricted Cash and Cash Equivalents - QALICB	269,367	-
Receivables:		
Accounts, Net	9,513,005	-
Contributions	-	110,612
Property Taxes	430,327	-
Leases Receivable	247,969	-
Prepaid Expenses	511,798	-
Inventory	313,736	-
Total Current Assets	<u>15,100,279</u>	<u>215,688</u>
NONCURRENT ASSETS		
Restricted Cash - Pension and Refunding Bonds	30,540	-
Long-Term Investments	-	5,752,377
Leases Receivable	412,938	-
Net OPEB Asset	193,718	-
Nondepreciable Capital Assets	1,610,933	10,350
Capital Assets, Net of Accumulated Depreciation	62,647,396	-
Intangible Assets, Net of Accumulated Amortization	1,088	-
Right-of-Use Assets Net of Accumulated Amortization	1,181,923	-
Total Noncurrent Assets	<u>66,078,536</u>	<u>5,762,727</u>
 Total Assets	 <u><u>\$ 81,178,815</u></u>	 <u><u>\$ 5,978,415</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	\$ 4,328,194	\$ -
Deferred Amounts Related to OPEB	453,050	-
Deferred Charge on Refunding	32,870	-
Total Deferred Outflows of Resources	<u><u>\$ 4,814,114</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2023

	Primary Government	Component Unit
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,929,217	\$ 76,510
Accrued Payroll and Payroll Liabilities	420,904	-
Accrued Interest Payable	194,537	-
Deposits Payable	229,410	-
Unearned Revenues	1,160,638	-
Current Portion of Long-Term Debt:		
Bonds Payable	2,780,000	-
Leases, SBITAs, and Financed Purchases Payable	245,975	-
Sick Leave Payable (Stipend)	220,045	-
Total Current Liabilities	8,180,726	76,510
NONCURRENT LIABILITIES		
Bonds Payable	31,694,999	-
Notes Payable	11,300,000	-
Leases, SBITAs, and Financed Purchases Payable	490,177	-
Unamortized Bond Discounts and Premiums	1,751,050	-
PERS Pre-SLGRP Pooled Liability	574,707	-
Net Pension Liability	12,733,619	-
Compensated Absences Payable	414,001	-
Sick Leave Payable (Stipend)	248,137	-
Other Postemployment Benefits	2,440,071	-
Total Noncurrent Liabilities	61,646,761	-
 Total Liabilities	 \$ 69,827,487	 \$ 76,510
DEFERRED INFLOW OF RESOURCES		
Deferred Amounts Related to Pensions	\$ 5,906,706	\$ -
Deferred Amounts Related to OPEB	505,667	-
Deferred Gain on Refunding	207,347	-
Deferred Amounts Related to Leases	642,063	-
Total Deferred Inflows of Resources	\$ 7,261,783	\$ -
NET POSITION		
Net Investment in Capital Assets	\$ 23,414,663	\$ -
Restricted:		
Restricted - Expendable for Scholarships	-	1,137,657
Restricted - Nonexpendable	-	2,442,280
Restricted - Expendable OPEB Asset	193,718	-
Unrestricted	(14,704,722)	2,321,968
Total Net Position	\$ 8,903,659	\$ 5,901,905

See accompanying Notes to Basic Financial Statements.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

	Primary Government	Component Unit
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowances	\$ 3,511,047	\$ -
Federal Grants and Contracts	10,031,372	-
State and Local Government Grants and Contracts	3,690,348	-
Nongovernment Grants, Contracts, and Special Fees	684,686	-
Auxiliary Enterprises, Including Tuition and Fees:		
Food Services	1,153,482	-
Campus Store, Net of Scholarship Allowances	265,283	-
Student Housing, Net of Scholarship Allowances	1,596,436	-
Newmark Center	207,960	-
Conferences	1,610	-
Culinary Arts, Net of Scholarship Allowances	742,564	-
Other Auxiliary Enterprises	71,339	-
Other Operating Revenues	1,704,159	5,583
Total Operating Revenues	23,660,286	5,583
OPERATING EXPENSES		
Education and General:		
Instruction	6,629,986	-
Instructional Support	667,671	-
College Support	7,380,822	-
Other Support Services:		
Student Services	5,959,645	-
Plant Maintenance	1,213,107	-
Community Services	4,323,970	-
Student Financial Aid	4,105,156	-
Auxiliary Enterprises:		
Food Services	1,033,667	-
Campus Store	438,252	-
Student Housing	812,421	-
Newmark Center	119,313	-
Conferences	482	-
Culinary Arts	447,179	-
Other Auxiliary Enterprises	3,412	-
Depreciation and Amortization Expense	3,461,248	-
OPEB/PERS Expenses	91,501	-
Foundation Operating Expenses	-	497,717
Total Operating Expenses	36,687,832	497,717
OPERATING LOSS	(13,027,546)	(492,134)

See accompanying Notes to Basic Financial Statements.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Primary Government	Component Unit
NONOPERATING REVENUES (EXPENSES)		
State Community College Support	\$ 8,399,761	\$ -
Other State Sources	143,583	-
Federal grants and contracts	1,347,373	-
Property Taxes	7,000,112	-
Pell Grants	2,285,528	-
Loss on Disposal of Assets	(11,389)	-
Interest and Net Investment Income	322,233	465,232
Interest Expense	(1,618,646)	-
Other Nonoperating Revenues (Expenses)	(1,740,718)	-
Donations	439,038	559,221
Total Nonoperating Revenues	16,566,875	1,024,453
CHANGES IN NET POSITION	3,539,329	532,319
Net Position - Beginning of Year	5,364,330	5,369,586
NET POSITION - END OF YEAR	\$ 8,903,659	\$ 5,901,905

See accompanying Notes to Basic Financial Statements.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 3,511,047
Grants and Contracts	9,639,777
Payments to Suppliers for Goods and Services	(6,977,752)
Payments to Employees	(18,597,854)
Paid to Students	(4,105,156)
Direct Loans	2,038,084
Direct Loans to Students	(2,038,084)
Other Operating Revenues	1,704,159
Auxiliary Enterprises	1,398,166
Net Cash Used by Operating Activities	<u>(13,427,613)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Local Property Taxes	6,951,970
State Community College Support	8,399,761
Other State Grants	143,583
Nonoperating Grants	3,632,901
Other Local Expense	(5,718)
Net Cash Provided by Noncapital Financing Activities	<u>19,122,497</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Assets	(1,695,631)
Donations	439,037
Lease Payments Received	222,515
Principal Payments on Bonds	(2,828,252)
Principal Payments on Leases and SBITAs	(205,117)
Interest and Fiscal Agent Fees Paid	(1,858,308)
Net Cash Used by Capital and Related Financing Activities	<u>(5,925,756)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	<u>322,233</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS

91,361

Cash and Cash Equivalents - Beginning of Year (Including Restricted Cash of \$631,528)

4,022,623

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 4,113,984

RECONCILIATION TO AMOUNTS SHOWN ON STATEMENT OF NET POSITION

Unrestricted Cash and Cash Equivalents	\$ 3,482,456
Restricted Cash and Cash Equivalents	631,528
Total Cash and Cash Equivalents	<u><u>\$ 4,113,984</u></u>

See accompanying Notes to Basic Financial Statements.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (13,027,546)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization	3,461,248
Changes in Assets, Liabilities, and Deferred Outflows and Inflows of Resources:	
Accounts Receivables	(5,886,770)
Prepaid Expenses	574,155
Inventories	78,503
Accounts Payable	647,067
Accrued Payroll and Payroll Liabilities	(151,847)
Unearned Revenues	1,155,348
Other Current Liabilities	(25,330)
Net Pension Liability	2,159,402
Other Post Employment Benefits Asset	9,670
Deferred Outflows - Pension Related	1,245,851
Deferred Inflows - Pension Related	(3,593,216)
Other Post Employment Benefits Liability	(98,477)
Deferred Outflows - OPEB Related	(31,815)
Deferred Inflows - OPEB Related	75,759
Deferred Inflows - Lease Related	(19,615)
Net Cash Used by Operating Activities	<u>\$ (13,427,613)</u>

NONCASH TRANSACTIONS

Capital Assets Acquired by Incurring Lease and SBITA Obligations	\$ 127,468
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SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Southwestern Oregon Community College (the College), the primary government and municipal corporation, is a postsecondary institution which was established in 1961 to provide educational courses and programs to citizens on the south coast of Oregon. The College currently serves all of Coos County, western Douglas County, and Curry County.

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

Blended Component Unit

As defined by accounting principles generally accepted in the United States of America (U.S. GAAP), the College includes one blended component unit in its financial statements; the SWOCC QALICB (the QALICB). The QALICB is a nonprofit, nongovernmental organization, whose purpose is to provide for the financing and construction of the College's new health and science building. The QALICB does not issue a separate audit.

Discretely Presented Component Unit

As defined by U.S. GAAP, the College includes one discretely presented component unit in its financial statements: the Southwestern Oregon Community College Foundation (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, 2023. Separate financial statements for Southwestern Oregon Community College Foundation may be obtained through request of the Foundation Executive Director located at the Southwestern Oregon Community College Coos Bay campus.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB Statement No. 35, *Basic Financial Statements – Management's Discussion and Analysis – for Public Colleges and Universities – an Amendment of GASB 34*, modified by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The College follows the "business-type activities" reporting requirements of GASB Statement No. 35 that provides a comprehensive one-column look at the College's financial activities. As a general rule, the effect of internal transactions between the College's functions has been eliminated.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The basic financial statements are accounted for on the flow of economic resources measurement focus and are prepared on the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Property taxes are recognized as revenues in the years for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the grantor have been met.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, the State of Oregon Treasurer's Local Government Investment Pool (LGIP), and short-term investments with original maturities of three months or less from the date of acquisition. The LGIP is part of the Oregon Short-Term Fund (OSTF) and is stated at cost, which approximates fair value.

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

Restricted Cash

Restricted cash for the College consists of funds for other grant projects and organizations. Restricted cash for the College also includes contributions and note proceeds which are externally restricted by agreements for construction of the Health and Science Building.

Investments

State statutes authorize the College to invest in banker's acceptances; time certificates of deposits; repurchase agreements; obligations of the U.S. Treasury and its agencies; the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, and California; the Oregon State Treasury's Local Government Investment Pool; demand deposits; and fixed or variable life insurance or annuity contracts for funding deferred compensation. As of June 30, 2023, all investments were held with the OSTF and considered cash and cash equivalents.

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.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

All accounts, student loans, grants, and property taxes receivable are shown net of an allowance for uncollectible accounts.

Student receivables are recorded as tuition is assessed or as amounts are advanced to students under various federal student financial assistance programs.

Unreimbursed expenses qualified from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenses are incurred. Grant funds received prior to the occurrence of qualifying expenses are recorded as unearned revenues.

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined by the retail cost method for the campus store and first-in/first-out method for all inventory.

Capital Assets

Capital assets include land and land improvements, buildings and building improvements; equipment, vehicles, and machinery; works of art and historical treasures; infrastructure, which includes utility systems; leasehold improvements; and construction in progress. The College has defined capital assets as having an initial value or cost of at least \$5,000 and an initial life extending beyond a single reporting period. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Library books are capitalized. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value or functionality of the assets' lives are not capitalized, but are expensed as incurred.

Buildings, equipment, vehicles, machinery, leasehold improvements, and land improvements of the College are depreciated using the straight-line method over the following lives:

Buildings and Building Improvements	20 to 60 Years
Equipment, Vehicles, and Machinery	7 to 25 Years
Land Improvements	10 to 30 Years
Library Books	43 Years
Right of Use Assets	3 to 10 Years

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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.

Compensated Absences

It is the College's policy to permit employees to accumulate earned but unused vacation pay. Unused vacation pay is recognized as an expense and accrued when earned. Accumulated but unused sick leave is eligible for payout under certain conditions. The total accumulated vacation liability is included in payroll liabilities on the statement of net position. The total accumulated sick liability is included as both long-term and current liabilities.

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, 2023 for the College's 2023-2024 summer and fall terms are recorded as deposits payable.

Retirement Plans

The College contributes to the Oregon State Public Employees Retirement System (PERS). The expense and liability for contributions to PERS are recorded in accordance with GASB 68 *Accounting and Financial Reporting for Pensions*.

Pre-SLGRP Pooled Liability

Actuarially determined liability recorded in the statement of net position based on the College's entry into the Oregon Public Employees Retirement System (PERS) State and Local Government Rate Pool. The transition liability is reduced each year by contributions to PERS and increased for interest charged by PERS and included as part of the College's net pension liability.

Other Postemployment Benefits Obligation (OPEB)

The College reports their proportionate share of the net PERS RHIA OPEB asset and the total OPEB OPEB liability along with the associated deferred outflows of resources and deferred inflows of resources. See Note 17 Other Postemployment Benefits (OPEB) for a detailed description of each plan and the proportionate share methodology for each.

Deferred Outflows and Inflows

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, OPEB, and loss on refunding. Deferred inflows relate to PERS and OPEB.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Federal Financial Assistance Programs

The College participates in federally funded programs, including primarily Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, Direct 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.

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) certain federal, state, and local grants and contracts and federal appropriations, and (4) gifts and contributions.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Expenses

Operating expenses include the costs of faculty, administration, sales, and services for food services, student housing, and campus store operations and depreciation. All other expenses, not meeting this definition are reported as nonoperating expenses.

Scholarship Allowances

Financial aid to students is reported in the basic financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as grants, loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the basic financial statements as operating expense, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid computed on a college-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid. Total scholarship allowance for the year ended June 30, 2023 is \$3,843,270.

Use of Estimates

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

Newly Implemented Accounting Standards

Effective for the fiscal year end June 30, 2023, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96). This establishes new requirements for calculating and reporting the College's SBITA activities. This standard's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting of SBITAs by governments. This standard enhances the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The changes adopted conform to the provisions of this standard and are effective from July 1, 2022 forward. With the implementation of GASB 96, the College recorded the right of use assets of \$1,227,409 reduced prepaid assets by \$387,349, and recorded the subscription liability of \$840,060 as of July 1, 2022.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

In accordance with Oregon Revised Statutes, the College adopts annual budgets and makes appropriations on a fund basis using the modified accrual basis of accounting.

A budget is prepared for all College funds in the main categories required by Oregon Local Budget Law on an object class basis – personnel services, materials and services, capital outlay, debt service, transfers, and contingency. The College’s legal spending authority is defined by a resolution passed by the Board of Education making the appropriations and adopting the budget on an object class basis.

The College begins its budget process each year with the establishment of the budget committee. Recommendations are developed through early spring and the budget committee approves the budget in late spring. Public notices of the budget committee meetings and the public hearing prior to adoption are published in accordance with Oregon Local Budget Law. The Board of Education may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than 10%. The budget is then adopted, appropriations are made, and the tax levy is declared no later than June 30.

Expenditures cannot legally exceed the appropriation levels, which are adopted by Board resolution. The Board of Education can change the budget throughout the year by appropriation transfers between levels of control and supplemental budgets as authorized by Oregon Revised Statutes. The budget basis financial schedules reflect the original budget plus all approved supplemental appropriations and appropriation transfers. Annual appropriations lapse at fiscal year-end on June 30.

NOTE 3 CASH AND INVESTMENTS

Total cash and investments at June 30, 2023 were comprised of the following:

	Total Primary Government	Component Unit
Cash and Cash Equivalents:		
Cash on Hand	\$ 3,200	\$ -
Deposits	2,262,154	105,076
Investments	1,848,630	5,752,377
Total	\$ 4,113,984	\$ 5,857,453

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

The College's deposits were held with banks 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.

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, 2023 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.

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, 2023, the College cash and cash equivalents on deposit at State Treasury were \$1,848,624. At June 30, 2023, the fair value of College deposits with LGIP approximates cost. Included as investments in the table above.

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/news-data/pages/treasury-news-reports.aspx#annualrep.

Policies

The College makes investments in accordance with the Oregon Revised Statutes.

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, 2023, they were within the required limits.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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.

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, 2023, all of the OSTF investments were considered Level 2 investments.

Foundation Investments

The following is a reconciliation of the Foundation's investments measured at fair value to total investments at June 30, 2023:

Measured at Fair Value:	
Corporate Stocks	\$ 2,791,312
Exchange-Traded, Closed-Ended Funds	738,254
Government Securities	463,272
Mutual Fund	788,510
Fixed-Income Funds	146,830
Total Investments at Fair Value - Level 1	4,928,178
Measured at Cost:	
Cash Equivalents	110,072
Measured at Net Asset Value:	
Alternative Investments	714,127
Total Investments	\$ 5,752,377

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Foundation Investments (Continued)

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. The Foundation measures the fair value of investments that do not have readily determinable fair values on the basis of the net asset value (NAV) per share, or its equivalent, as a practical expedient for measuring fair value. The Foundation performs due diligence reviews of the NAV in the capital accounts with its investment managers to ensure conformity with U.S. GAAP. Certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position. Investments measured at net asset value (NAV) primarily represent investments in limited partnerships or other products with varying restrictions on liquidity or requirement commitments.

NOTE 4 RECEIVABLES

Receivables at the end of the year are as follows:

Receivables:	
Governmental Receivables	\$ 8,588,987
Property Taxes	430,327
Leases Receivable	660,907
Student Receivables	2,149,295
A/R Allowance - Student	(1,518,509)
Other Receivables	293,232
Total	<u>\$ 10,604,239</u>

Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by the County of Coos, County of Douglas, and County of Curry and remittance to the College is made at periodic intervals. For fiscal year 2022-2023, the College imposed a tax rate of \$0.7017 per \$1,000 of assessed value. This resulted in a net levy of \$7,113,033 after reduction for compression loss due to constitutional limits, and after increases due to additional taxes, penalties, and other adjustments.

Property taxes are recorded on the accrual basis in the basic financial statements. No allowance for uncollectible property taxes is shown in the financial statements since unpaid property taxes are a permanent lien and the amount of property taxes ultimately not collected is immaterial. Interest on delinquent property taxes is recognized when received.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 RECEIVABLES (CONTINUED)

Leases Receivable

The College leases office and common space facilities (of which the total base monthly lease amounts currently include a payment for utilities and custodial fees) under three separate agreements, to a local health care district. One agreement uses an incremental borrowing rate of 4.75% per year and the others use an incremental borrowing rate of 3.50% per year. One agreement expired during the fiscal year and the others are scheduled to expire in fiscal year 2026.

During the fiscal year ended June 30, 2023, total rental income of \$217,761 was recognized by the College, as lessor, under the two arrangements. If lessee is not in default at the end of the above lease term, options exist for one five-year renewal with adjusted rent schedules. Expected rents for the next year from the other organizations are \$241,527.

NOTE 5 CAPITAL ASSETS

	Balance July 1, 2022 *	Additions	Deletions	Balance June 30, 2023
Capital Assets Not Being Depreciated:				
Land	\$ 835,000	\$ -	\$ -	\$ 835,000
Construction in Progress	377,853	546,422	(321,049)	603,226
Art Works Collection	172,707	-	-	172,707
Total Capital Assets Not Being Depreciated	1,385,560	546,422	(321,049)	1,610,933
Capital Assets Being Depreciated/Amortized:				
Land Improvements	2,237,236	26,120	-	2,263,356
Library Books	485,887	11,345	(1,732)	495,500
Buildings	88,456,318	62,800	-	88,519,118
Equipment and Vehicles	7,399,095	649,818	(83,260)	7,965,653
Intangible Assets	80,575	-	-	80,575
Right of Use Assets - Leases	83,686	45,461	(23,922)	105,225
Right of Use Assets - SBITAs	1,227,409	82,006	-	1,309,415
Total Capital Assets Being Depreciated/Amortized	99,970,206	877,550	(108,914)	100,738,842
Less Accumulated Depreciation and Amortization for:				
Land Improvements	(1,100,008)	(82,939)	-	(1,182,947)
Library Books	(244,463)	(11,523)	871	(255,115)
Buildings	(26,464,324)	(2,754,072)	-	(29,218,396)
Equipment and Vehicles	(5,638,850)	(384,183)	83,260	(5,939,773)
Intangible Assets	(67,146)	(12,341)	-	(79,487)
Right of Use Asset - Leases Amortization	(29,919)	(10,777)	10,526	(30,170)
Right of Use Asset - SBITAs Amortization	-	(202,547)	-	(202,547)
Total Accumulated Amortization and Depreciation	(33,544,710)	(3,458,382)	94,657	(36,908,435)
 Total Capital Assets Being Depreciated and Amortized, Net	 65,198,087	 (2,580,832)	 (14,257)	 62,602,998
 Total Capital Assets, Net	 <u>\$ 66,583,647</u>	 <u>\$ (2,034,410)</u>	 <u>\$ (335,306)</u>	 <u>\$ 65,441,340</u>

* Restated due to the implementation of GASB 96.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 LONG-TERM DEBT

Limited Tax Bonds – Direct Placement

The College issues limited tax bonds. Limited tax bonds include limited tax revenue bonds, full faith and credit obligations, and limited tax pension bonds.

The limited tax bonds financed the following:

Pension Bonds – The College issued limited tax pension bonds in February 2004 (the Pension Bonds). Net proceeds of the Pension Bonds were deposited into a lump sum payment account at PERS for the benefit of the College. This Pension Bond was issued as part of a larger pool of pension obligations. The College’s Pension Bonds refinanced a portion of the Unfunded Actuarial Liability allocated to the College in the Oregon Public Employees Retirement System (see “Pension System” herein). The Pension Bonds were issued in the principal amount of \$13,075,000. Such lump sum payment reduced the College’s current payroll contribution rates (see “Pension System” herein), and, if returns on the account exceed the cost of the borrowing, will result in a net benefit to the College. Payments are due semi-annually and mature in June 2028. Interest rates range from 3.35% to 5.53%.

Limited tax pension bonds financed a portion of the estimated unfunded actuarial liability with the Oregon Public Employees Retirement System. All limited tax bonds are backed by the full faith and credit of the College, within the limitations of Article XI of the Oregon Constitution, and are to be repaid from existing revenue sources.

The future debt maturity requirements are as follows at June 30, 2023:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,190,000	\$ 354,473	\$ 1,544,473
2025	1,330,000	288,666	1,618,666
2026	1,480,000	215,117	1,695,117
2027	1,645,000	133,273	1,778,273
2028	765,000	42,305	807,305
Total	<u>\$ 6,410,000</u>	<u>\$ 1,033,834</u>	<u>\$ 7,443,834</u>

Other Limited Tax Obligations – Direct Placement – The College originally issued other Full Faith and Credit Obligations for a variety of projects as described below:

On May 15, 2019, the College issued \$7,530,000 Full Faith and Credit Obligations Series 2019 for the purpose of financing the construction of the Health & Science Building, fund deferred maintenance projects, and energy savings projects. These bonds have interest rates of 3.00% - 4.00%.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Limited Tax Bonds – Direct Placement (Continued)

The future debt maturity requirements are as follows at June 30, 2023:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 255,000	\$ 250,250	\$ 505,250
2025	285,000	240,050	525,050
2026	340,000	228,650	568,650
2027	400,000	215,050	615,050
2028	430,000	199,050	629,050
2029-2033	2,010,000	735,850	2,745,850
2034-2038	1,990,000	354,050	2,344,050
2039-2043	445,000	42,100	577,100
2044	90,000	2,230	92,230
Total	<u>\$ 6,245,000</u>	<u>\$ 2,267,280</u>	<u>\$ 8,602,280</u>

On November 19, 2018, the College issued \$9,445,000 Full Faith and Credit Obligations Series 2018 for the purpose of financing of energy savings projects. These bonds have interest rates of 4.00% - 4.50%.

The future debt maturity requirements are as follows at June 30, 2023:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 403,275	\$ 403,275
2025	-	403,275	403,275
2026	-	403,275	403,275
2027		403,275	403,275
2028		403,275	403,275
2029-2033	1,595,000	1,959,375	3,554,375
2034-2038	3,515,000	1,427,175	4,942,175
2039-2043	4,325,000	602,550	4,927,550
Total	<u>\$ 9,435,000</u>	<u>\$ 6,005,475</u>	<u>\$ 15,440,475</u>

On December 2, 2016, the College issued \$8,660,000 Full Faith and Credit Refunding Obligations Series 2016 for the purpose of refunding certain portions of the Full Faith and Credit Obligations Series 2005, the Full Faith and Credit Obligations Series 2006, and the Full Faith and Credit Obligations Series, 2010 and to pay the costs of issuance related to the sale and delivery of the obligation. These bonds have an interest rate of 4.00%. The refunding of these bonds results in addition debt service expense of \$1,659,379 with a net present value of \$68,853.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Limited Tax Bonds – Direct Placement (Continued)

The future debt maturity requirements are as follows at June 30, 2023:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 346,400	\$ 346,400
2025	-	346,400	346,400
2026	455,000	346,400	801,400
2027	1,515,000	328,200	1,843,200
2028	1,575,000	267,600	1,842,600
2029-2031	5,115,000	414,400	5,529,400
Total	<u>\$ 8,660,000</u>	<u>\$ 2,049,400</u>	<u>\$ 10,709,400</u>

In March 2017, the College issued \$7,690,000 Full Faith and Credit Refunding Obligations Series 2017 for the purpose of refunding certain portions of the Full Faith and Credit Refunding Obligation Series 2007 and to pay the costs of issuance related to the sale and delivery of the obligation. These bonds have interest rates of 3.00% - 4.00%. The refunding of these bonds results in a cash savings of \$1,334,936 with a net present value of \$679,803. The future debt maturity requirements are as follows at June 30, 2023:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,155,000	\$ 133,600	\$ 1,288,600
2025	1,195,000	87,400	1,282,400
2026	990,000	39,600	1,029,600
Total	<u>\$ 3,340,000</u>	<u>\$ 260,600</u>	<u>\$ 3,600,600</u>

In August 2013, the College issued, at a premium, \$6,625,000 Series 2013 of limited tax full faith and credit refunding obligation bonds to refinance all or part of previously issued obligation bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$453,556. This amount is being netted against the new debt and amortized over the life of the new debt issued. This refunding was undertaken to reduce the total debt service payments over the subsequent 11 years by \$567,573 and resulted in an economic gain of \$508,034. Interest rates range from 3.00% to 4.00%.

The future debt maturity requirements are as follows at June 30, 2023:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 180,000	\$ 15,000	\$ 195,000
2025	195,000	7,800	202,800
Total	<u>\$ 375,000</u>	<u>\$ 22,800</u>	<u>\$ 397,800</u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 LONG-TERM DEBT (CONTINUED)

Notes Payable – Direct Borrowing

On June 25, 2019, the Segment Unit, QALICB, borrowed \$6,880,000 from Dakotas XXVI, LLC, a South Dakota limited liability company, for the purpose of constructing the Health and Science Building. This note has an interest rate of 1.4959%.

The future debt maturity requirements are as follows at June 30, 2023:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 102,916	\$ 102,916
2025	-	102,916	102,916
2026	-	102,916	102,916
2027	252,582	101,506	354,088
2028	256,382	97,706	354,088
2029-2033	1,340,937	429,503	1,770,440
2034-2038	1,444,876	325,564	1,770,440
2039-2043	1,556,871	213,569	1,770,440
2044-2048	1,677,550	92,890	1,770,440
2049	350,802	3,286	354,088
Total	<u>\$ 6,880,000</u>	<u>\$ 1,572,772</u>	<u>\$ 8,452,772</u>

On June 25, 2019, the Segment Unit, QALICB, borrowed \$2,720,000 from Dakotas XXVI, LLC, a South Dakota limited liability company, for the purpose of constructing the Health and Science Building. This note has an interest rate of 1.4959%.

The future debt maturity requirements are as follows at June 30, 2023:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 40,688	\$ 40,688
2025	-	40,688	40,688
2026	-	40,688	40,688
2027	99,859	40,129	139,988
2028	101,360	38,628	139,988
2029-2033	530,136	169,804	699,940
2034-2038	571,230	128,710	699,940
2039-2043	615,507	84,433	699,940
2044-2048	663,215	36,725	699,940
2049	138,693	1,299	139,992
Total	<u>\$ 2,720,000</u>	<u>\$ 621,792</u>	<u>\$ 3,341,792</u>

On June 25, 2019, the Segment Unit, QALICB, borrowed \$1,169,600 from CNMC SUB-CDE 169, LLC, a Delaware limited liability company, for the purpose of constructing the Health and Science Building. This note has an interest rate of 1.4959%.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Notes Payable – Direct Borrowing (Continued)

The future debt maturity requirements are as follows at June 30, 2023:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 17,496	\$ 17,496
2025	-	17,496	17,496
2026	-	17,496	17,496
2027	42,940	17,256	60,196
2028	43,584	16,612	60,196
2029-2033	227,959	73,021	300,980
2034-2038	245,630	55,350	300,980
2039-2043	264,666	36,314	300,980
2044-2048	285,182	15,798	300,980
2049	59,639	559	60,198
Total	<u>\$ 1,169,600</u>	<u>\$ 267,398</u>	<u>\$ 1,436,998</u>

On June 25, 2019, the Segment Unit, QALICB, borrowed \$530,400 from CNMC SUB-CDE 169, LLC, a Delaware limited liability company, for the purpose of constructing the Health and Science Building. This note has an interest rate of 1.4959%.

The future debt maturity requirements are as follows at June 30, 2023:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 7,936	\$ 7,936
2025	-	7,936	7,936
2026	-	7,936	7,936
2027	19,472	7,824	27,296
2028	19,766	7,533	27,299
2029-2033	103,379	33,108	136,487
2034-2038	111,388	25,092	136,480
2039-2043	120,022	16,458	136,480
2044-2048	129,326	7,154	136,480
2049	27,047	252	27,299
Total	<u>\$ 503,353</u>	<u>\$ 120,977</u>	<u>\$ 624,330</u>

NOTE 7 FINANCED PURCHASE AGREEMENTS

Financed Purchase Agreements

On August 1, 2021, the College entered into a financed purchase agreement with BayCap LLC to acquire fitness equipment in the amount of \$47,705. Payments are due monthly in the amount of \$1,515. The interest rate is 9.425%.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 FINANCED PURCHASE AGREEMENTS (CONTINUED)

Financed Purchase Agreements (Continued)

The value of future payments for the equipment at June 30, 2023 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 17,145	\$ 1,030	\$ 18,175
2025	1,503	12	1,515
Total	<u>\$ 18,648</u>	<u>\$ 1,042</u>	<u>\$ 19,690</u>

NOTE 8 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

College as a Lessee

The University leases 14 pieces of office equipment from external parties, in which the College is the lessee. The general terms of these agreements include an incremental borrowing rate of 4.75% with monthly payments. The leases are set to expire in various dates between FY 2024 and Fiscal year 2028.

The following is a schedule of principal and interest payments on these agreements:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 20,957	\$ 2,434	\$ 23,391
2025	12,237	1,600	13,837
2026	9,336	1,085	10,421
2027	9,550	642	10,192
2028	8,297	183	8,480
Total	<u>\$ 60,377</u>	<u>\$ 5,944</u>	<u>\$ 66,321</u>

Subscription-Based Information Technology Arrangements (SBITAs)

The College adopted the requirements of GASB 96 - Subscription-Based Information Technology Arrangements (SBITAs) effective July 1, 2022, and has applied this standard's provisions to the beginning of the adoption period.

A summary of the Colleges SBITA terms and interest rates are as follows:

The College added \$872,068 for new SBITAs and made principal payments of \$214,941 plus interest. The SBITAs range in contract length with the last one ending August 5, 2028. Certain SBITAs provide for increases in future minimum annual payments based on defined increases stated in the agreements and no agreements contain variable payments.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 207,869	\$ 27,562	\$ 235,431
2025	216,399	17,739	234,138
2026	221,620	7,680	229,300
2027	5,449	478	5,927
2028	5,790	210	6,000
Total	<u>\$ 657,127</u>	<u>\$ 53,669</u>	<u>\$ 710,796</u>

NOTE 9 CHANGES IN LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2023, the following changes occurred in the amounts reported in long-term liabilities:

	* Balance July 1, 2022 *	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Direct Placement					
Full Faith and Credit Obligations					
Refunding 2013:					
Student Housing	\$ 292,456	\$ -	\$ 97,200	\$ 195,256	\$ 97,200
Culinary Institute	60,074	-	21,600	38,474	21,600
Student Recreation Center	133,230	-	36,000	97,230	36,000
Performing Arts Center	69,240	-	25,200	44,040	25,200
Refunding 2016:					
Student Housing	1,496,727	-	-	1,496,727	-
Neighborhood Facility	199,237	-	-	199,237	-
Student Recreation Center	1,195,419	-	-	1,195,419	-
Curry Campus	5,768,617	-	-	5,768,617	-
Refunding 2017:					
Student Housing	1,244,022	-	309,256	934,766	323,250
Culinary Institute	1,101,116	-	273,731	827,385	286,117
Performing Arts Center	51,295	-	12,752	38,543	13,329
Student Recreation Center	1,915,662	-	476,222	1,439,440	497,770
Dryvit	132,905	-	33,040	99,865	34,535
Series 2018 - Energy Savings	9,445,000	-	-	9,445,000	-
Series 2019:					
Energy Savings	840,000	-	-	840,000	10,000
Health & Science Building	4,030,000	-	170,000	3,860,000	175,000
Deferred Maintenance	1,615,000	-	70,000	1,545,000	70,000
Pension Bond (PERS) - Direct Placement	7,470,000	-	1,060,000	6,410,000	1,190,000
Direct Borrowing					
Finance Purchase Agreements:					
Two 15-Passenger Vans	20,631	-	20,631	-	-
3 Maintenance Carts	6,933	-	6,933	-	-
Recreation Center Equipment	34,262	-	15,614	18,648	17,145
Lease Liability and SBITAs	876,340	77,469	236,304	717,505	228,830
SWOCC QALICB (Direct Borrowing):					
Loan A-1 Dakotas XXVI, LLC	6,880,000	-	-	6,880,000	-
Loan B-1 Dakotas XXVI, LLC	2,720,000	-	-	2,720,000	-
Loan A-2 CNMC Sub-CDE 169, LLC	1,169,600	-	-	1,169,600	-
Loan B-2 CNMC Sub-CDE 169, LLC	530,400	-	-	530,400	-
Total Debt	<u>49,298,167</u>	<u>77,469</u>	<u>2,864,483</u>	<u>46,511,153</u>	<u>3,025,975</u>
Unamortized Discounts and Premiums	1,934,369	-	183,321	1,751,048	-
Total	<u>\$ 51,232,536</u>	<u>\$ 77,469</u>	<u>\$ 3,047,804</u>	<u>\$ 48,262,201</u>	<u>\$ 3,025,975</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 CHANGES IN LONG-TERM LIABILITIES (CONTINUED)

	Balance July 1, 2022 *	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Compensated Absences	\$ 438,806		\$ 24,806	\$ 414,000	\$ -
Sick Leave Payable (Stipend)	419,441	48,741		468,182	220,045
PERS Pre-SLGRP Pooled Liability	817,958		243,251	574,707	-
Total	<u>\$ 1,676,205</u>	<u>\$ 48,741</u>	<u>\$ 268,057</u>	<u>\$ 1,456,889</u>	<u>\$ 220,045</u>

* Restated due to the implementation of GASB 96.

NOTE 10 RESTRICTED NET POSITION

Southwestern Oregon Community College Foundation

Restricted net position – expendable of \$1.1 million and restricted net position – unexpendable of \$2.4 million in the Foundation are primarily for scholarships and program support.

NOTE 11 CONTINGENT LIABILITIES

The amounts of grant revenue reflected in the financial statements are subject to audit and adjustment by grantor agencies, principally the federal government. Any costs which are questioned or recommended to be disallowed claims may become a liability of the College. Various claims are pending against the College. After consultation with legal counsel, the College has accrued an additional \$1.7 million for a potential liability related to such pending claims.

NOTE 12 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; and natural disasters for which the College carries commercial insurance. Workers' compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the College has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

NOTE 13 CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The College's operations are concentrated in Coos, western Douglas, and Curry Counties within Oregon. These counties have economic conditions, including unemployment, worse than average in Oregon. In addition, a significant portion of the College's revenues for continuing operations are from federal, state, and local government agencies. In the normal course of operations, the College receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 SCHOLARSHIP ALLOWANCES

Scholarship allowances represent the portion of financial aid computed on a college-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid. Scholarship allowances eliminate the double counting of revenue that results from receipt of outside aid. They are applied against revenue on a pro-rata basis as shown below:

Scholarship Allowances Applied to:	
Student Tuition and Fees	\$ 2,080,787
Bookstore Charges	151,709
Student Housing Charges	1,354,319
Culinary Arts Tuition and Fees	256,455
Total	<u>\$ 3,843,270</u>

NOTE 15 EMPLOYEE RETIREMENT SYSTEM

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’s 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 Annual Comprehensive Financial Report.

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

Copies of the Oregon Public Employees Retirement System’s Annual Comprehensive Financial Report and Actuarial Valuations may be obtained from the Oregon PERS website at: <https://www.oregon.gov/pers/pages/financials/actuarial-financial-information.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 GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Summary of Significant Accounting Policies (Continued)

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

Basis of Accounting

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

Proportionate Share Allocation Methodology

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

Changes Subsequent to Measurement Date

The PERS Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. The rate is then adopted in an administrative rule at the time the Board sets the new rate. The College is not aware of any changes to benefit terms subsequent to the June 30, 2022 measurement date.

Pension Plan Liability

The components of the plan's collective net pension liability as of the measurement date of June 30, 2022 are as follows (dollars in millions):

Total Pension Liability	\$ 99,082
Plan Fiduciary Net Position	<u>83,770</u>
Employers' Net Pension Liability	<u><u>\$ 15,312</u></u>

Plan Benefits

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

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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 (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. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 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 nonretired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a nonduty 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 nonduty or duty disability, service time is computed to age 58 when determining the monthly benefit.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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

Benefit Changes After Retirement

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

Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living changes. The COLA is capped at 2.0%.

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

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

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 nonretired 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.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

OPSRP Pension Program (OPSRP DB) (Continued)

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.

OPSRP Pension Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

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

Death Benefits

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

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. 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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Pension Plan Contributions (Continued)

Employer contribution rates for the fiscal year ended June 30, 2023 were based on the December 31, 2015 actuarial valuation. 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, 2023 is 15.51% for PERS Tier One/Two and 11.82% for OPSRP.

Employer contributions for the year ended June 30, 2023 were \$1,230,747 excluding amounts to fund employer specific liabilities.

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

Pension expense for the year ended June 30, 2023 was \$1,042,794. At June 30, 2023, the College reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 618,115	\$ 79,409
Changes in Assumptions	1,997,974	18,254
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,276,525
Changes in Proportionate Share	481,358	711,499
Differences Between Employer Contributions and Proportionate Share of System Contributions	-	2,821,019
Total (Prior to Post Measurement Date Contributions)	<u>3,097,447</u>	<u>5,906,706</u>
Contributions Subsequent to the Measurement Date	1,230,747	-
Total	<u>\$ 4,328,194</u>	<u>\$ 5,906,706</u>

Of the amount reported as deferred outflows of resources, \$1,230,747 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (687,926)
2025	(907,657)
2026	(1,519,493)
2027	550,258
2028	(244,441)
Total	<u>\$ (2,809,259)</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Actuarial Methods and Assumptions

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 following methods and assumptions were used in developing total pension liability:

Actuarial Methods

As of:	June 30, 2023
Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study Report	2020 published July 2021
Actuarial Cost Method	Entry Age Normal

Actuarial Assumptions

Inflation Rate	2.40%
Long-Term Expected Rate of Return	6.90%
Discount Rate	6.90%
Projected Salary Increases	3.40%
Cost of Living Adjustments	Blend of 2.0% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.

Mortality

	<i>Healthy retirees and beneficiaries:</i>
	Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.
	<i>Active members:</i>
	Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.
	<i>Disabled retirees:</i>
	Pub-2010 Disabled retirees, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

(Source: June 30, 2022 PERS ACFR; p. 71)

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.9% 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.

Net Pension Liability

At June 30, 2023, the College reported a liability of \$12,733,619 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The basis for the College's proportion is actuarially determined by comparing employers' projected long-term contribution effort to the plan with the total projected long-term contribution effort of all employers. At June 30, 2023, the College's proportionate share was .083161% which was a decrease of .005204% from its last measurement.

Deferred Items

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For fiscal year ended June 30, 2023, deferred items include:

- Difference between expected and actual experience
- Changes in assumptions
- Net difference between projected and actual pension plan investment earnings
- Changes in employer proportion since the prior measurement date
- Difference between employer contributions and proportionate share of contributions
- Contributions subsequent to the measurement period

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Deferred Items (Continued)

Differences between expected and actual experience, changes in assumption, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period “layers” attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are as follows:

- Measurement period ended June 30, 2022 - 5.5 years
- Measurement period ended June 30, 2021 - 5.4 years
- Measurement period ended June 30, 2020 - 5.3 years
- Measurement period ended June 30, 2019 - 5.2 years
- Measurement period ended June 30, 2018 - 5.2 years

The difference between projected and actual pension plan investment earnings attributable to each measurement period is amortized over a closed five-year period.

One year of amortization is recognized in the university’s total pension expense for fiscal year 2023.

Depletion Date Projection

GASB Statement No. 68 (GASB 68) 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 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 68 (paragraph 67) 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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Depletion Date Projection (Continued)

- GASB 68 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.

Assumed Asset Allocation

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>Target Range</u>
Debt Securities	15.0 %	25.0 %	20.0 %
Public Equity	25.0	35.0	30.0
Private Equity	15.0	27.5	20.0
Real Estate	7.5	17.5	12.5
Real Assets	2.5	10.0	7.5
Diversifying Strategies	2.5	10.0	7.5
Opportunity Portfolio	-	5.0	-
Risk Parity	-	3.5	2.5
Total			<u>100.0 %</u>

(Source: June 30, 2022 PERS ACFR; p. 104)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Long-Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return</u>
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited Partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Funds of Funds - Multistrategy	1.25%	5.11%
Hedge Fund Equity - Hedge	0.63%	5.31%
Hedge Fund - Macro	5.62%	5.06%
US Cash	-2.50%	1.76%
Assumed Inflation - Mean		2.40%

(Source: June 30, 2021 PERS ACFR; p. 74)

Sensitivity Analysis

	<u>1% Decrease (5.9%)</u>	<u>Rate (6.9%)</u>	<u>1% Increase (7.9%)</u>
Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 22,581,972</u>	<u>\$ 12,733,619</u>	<u>\$ 4,491,002</u>

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 6.90% 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.

Plan Fiduciary Net Position as a Percentage of Total Pension Liability

See Schedule of Changes in Net Pension (Asset) Liability on page 76 of the PERS June 30, 2022 ACFR.

Transition Liability

The College reports a separate liability to the plan with a balance of \$574,707 at June 30, 2023. The liability represents the College's allocated share of the pre-SLGRP pooled liability. The College is being assessed an employer contribution rate of 1.76% of covered payroll for payment of this transition liability.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Public Employees Retirement Plan (PERS)

Plan Description

The Public Employees Retirement System (PERS) Board contracts for health insurance coverage on behalf of eligible PERS members. Eligible retirees pay their own age-adjusted premiums. To help retirees defray the cost of these premiums, PERS also administers a separate defined benefit other postemployment benefit (OPEB) plan: the Retirement Health Insurance Account (RHIA). Only Tier One and Tier Two PERS members are eligible to participate in the RHIA. Refer to Note 16 for details concerning Tier One and Tier Two membership in PERS.

The RHIA is a cost-sharing multiple-employer defined benefit OPEB plan in which the College participates. Established under Oregon Revised Statute (ORS) 238.420, the plan provides a payment of up to \$60 toward the monthly cost of health insurance for eligible PERS members. To be eligible to receive the RHIA subsidy, the member must (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at Public Employees Retirement Plan (PERS) (Continued)the time the member died and the member retired before May 1, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations for the RHIA plan.

The RHIA plan is closed to employees hired on or after August 29, 2003, who had not established PERS membership prior to that date.

OPEB Plan Report

The PERS RHIA defined benefit OPEB plan is reported separately under Other Employee Benefit Trust Funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the state's Annual Comprehensive Financial Report. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. The report may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at:

<https://www.oregon.gov/pers/pages/financials/actuarial-financial-information.aspx>.

Basis of Accounting

The financial statements for the PERS OPEB plans are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized in the month they are earned and withdrawals are recognized in the month they are due and payable. Plan investments are reported at fair value.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Public Employees Retirement Plan (PERS) (Continued)

Summary of Significant Accounting Policies

Employers participating in PERS are required to report OPEB information in their financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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

Proportionate Share Allocation Methodology

The basis for the employer's proportion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the plan with the total actual contributions made in the fiscal year of all employers.

OPEB Plan (Asset)/Liability

The components of the total collective PERS Net OPEB (Asset)/Liability for the OPEB plan as of the measurement date of June 30, 2022 is as follows:

Net OPEB - RHIA (Asset) (in Millions)

Total OPEB - RHIA Liability	\$ 375.4
Plan Fiduciary Net Position	730.7
Plan Net OPEB - RHIA (Asset)	<u>\$ (355.3)</u>

Changes Subsequent to Measurement Date

The PERS Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. The rate is then adopted in an administrative rule at the time the Board sets the new rate. The college is not aware of any changes to benefit terms subsequent to the June 30, 2022 measurement date.

Contributions

The OPEB plan administered by PERS is funded through actuarially determined employer contributions. For the fiscal year ended June 30, 2023, the College contributes 0.05% of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. The required employer contribution was approximately \$2 for the year ended June 30, 2023. The actual contribution equaled the annual required contribution for the fiscal year.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Public Employees Retirement Plan (PERS) (Continued)

Net OPEB Asset/Liability

At June 30, 2023, the College reported an asset of \$193,718 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2023 was measured as of June 30, 2022, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. The College's proportion of the net OPEB asset was based on the College's contributions received by RHIA during the measurement period, relative to the total employer contributions received from all of RHIA's participating employers. At June 30, 2023, the College's proportionate share was .054517% which was a decrease of .004711% from its last measurement.

For the year ended June 30, 2023, the College recorded total OPEB expense reduction of \$4,326 due to the change in the net RHIA OPEB asset and changes to deferred outflows and deferred inflows.

Deferred Items

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For fiscal year ended June 30, 2023, deferred items include:

- Difference between expected and actual experience
- Difference due to changes in assumptions
- Changes in employer proportion since the prior measurement date
- Difference between employer contributions and proportionate share of contributions
- A difference between projected and actual earnings

Differences between expected and actual experience, changes in assumption, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of the measurement period are as follows:

- Measurement period ended June 30, 2022 – 2.5 years
- Measurement period ended June 30, 2021 – 2.7 years
- Measurement period ended June 30, 2020 – 2.9 years
- Measurement period ended June 30, 2019 – 3.1 years

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Public Employees Retirement Plan (PERS) (Continued)

Deferred Items (Continued)

The difference between projected and actual OPEB plan investment earnings attributable to each measurement period is amortized over a closed five-year period.

One year of amortization is recognized in the College's total OPEB expense for fiscal year 2023.

At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to RHIA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 5,250
Changes in Assumptions	1,517	6,458
Net Difference Between Projected and Actual Earnings on Investments	-	14,773
Changes in Proportionate Share	<u>25,824</u>	<u>-</u>
Total (Prior to Post Measurement Date Contributions)	27,341	26,481
Contributions Subsequent to the Measurement Date	<u>930</u>	<u>-</u>
Total	<u><u>\$ 28,271</u></u>	<u><u>\$ 26,481</u></u>

Of the amount reported as deferred outflows of resources, \$930 is related to contributions subsequent to the measurement date and will be recognized as an increase of the net OPEB asset in the year ended June 30, 2023.

As of June 30, 2023, other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIA OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2024	\$ 12,055
2025	(6,603)
2026	(9,323)
2027	<u>4,731</u>
Total	<u><u>\$ 860</u></u>

Actuarial Methods and Assumptions

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 below are based on the 2016 Experience Study, which reviewed experience for the four-year period ended on December 31, 2016.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Public Employees Retirement Plan (PERS) (Continued)

Actuarial Methods and Assumptions (Continued)

The following key methods and assumptions were used to measure the total OPEB liability:

Actuarial Methods

As of:	June 30, 2023
Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study Report	2020 published July 20, 2021
Actuarial Cost Method	Entry Age Normal

Actuarial Assumptions

Inflation Rate	2.40%
Long-Term Expected Rate of Return	6.90%
Discount Rate	6.90%
Projected Salary Increases	3.40%
Retiree Healthcare Participation	Healthy retirees: 27.5%, Disabled retirees: 15%
Healthcare Cost Trend Rate	Not applicable

Mortality

<i>Healthy retirees and beneficiaries:</i>	
Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	
<i>Active members:</i>	
Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	
<i>Disabled retirees:</i>	
Pub-2010 Disabled retirees, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	

Discount Rate

The discount rate used to measure the total OPEB liability/(asset) was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the OPEB plans' 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 OPEB plan investments for the OPEB plans was applied to all periods of projected benefit payments to determine the total OPEB liability.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Public Employees Retirement Plan (PERS) (Continued)

Sensitivity Analysis

The sensitivity analysis below shows the sensitivity of the College's proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 6.90%, as well as what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease <u>(5.9%)</u>	Discount Rate <u>(6.9%)</u>	1% Increase <u>(7.9%)</u>
Proportionate Share of the Net OPEB - RHIA Liability (Asset)	<u>\$ (174,594)</u>	<u>\$ (193,718)</u>	<u>\$ (210,111)</u>

Assumed Asset Allocation

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>Target Range</u>
Debt Securities	15.0 %	25.0 %	20.0 %
Public Equity	25.0	35.0	30.0
Private Equity	15.0	27.5	20.0
Real Estate	7.5	17.5	12.5
Real Assets	2.5	10.0	7.5
Diversifying Strategies	2.5	10.0	7.5
Opportunity Portfolio	-	5.0	-
Risk Parity	-	3.5	2.5
Total			<u>100.0 %</u>

(Source: June 30, 2022 PERS ACFR; p. 104)

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Public Employees Retirement Plan (PERS) (Continued)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the OIC investment advisors. Each asset 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. The table below shows a summary of long-term expected rate of return by asset class. For more information on the plan’s portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERSs’ audited financial statements at:

<https://www.oregon.gov/pers/pages/financials/actuarial-financial-information.aspx>.

The following table shows long-term expected rate of return by asset class:

<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return</u>
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited Partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Funds of Funds - Multistrategy	1.25%	5.11%
Hedge Fund Equity - Hedge	0.63%	5.31%
Hedge Fund - Macro	5.62%	5.06%
US Cash	-2.50%	1.76%
Assumed Inflation - Mean		2.40%

(Source: June 30, 2022 PERS ACFR; p. 74)

Depletion Date Projection

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, generally requires that a blended discount rate be used to measure the Total OPEB 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.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Public Employees Retirement Plan (PERS) (Continued)

Depletion Date Projection (Continued)

Determining the discount rate under GASB Statement No. 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB Statement No. 75 (paragraph 39) 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 Statement No. 75 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 that might impact the plan's funded position.

Based on these circumstances, it is the independent actuary's opinion that the detailed depletion date projections outlined in GASB Statement No. 75 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

Early Retirement Plan

Plan Description

Southwestern Oregon Community College maintains a single-employer defined benefit postemployment healthcare benefits plan. The College participates in the Oregon Educators Benefits Board (OEBB), statewide agent multiemployer benefit plan, to provide a postretirement health benefits program. The OPEB – OEBB plan is comprised of two agreements between the College and separate groups of employees. The first agreement covers those employees hired before March 1, 2002 (the 1997 Plan), and the second agreement covers all other employees (the 2002 Plan). This program covers all full-time certified, classified, and eligible administrative personnel of the College. This program was established in accordance with ORS 243.303, which requires that all eligible retirees be allowed to continue receiving health insurance benefits, at their cost, until age 65 or they become otherwise eligible for Medicare. The statutory requirement under ORS 243.303 can result in "implicit subsidy" (the difference between expected early retiree claim costs and the premium paid for the retiree).

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Early Retirement Plan (Continued)

Plan Description (Continued)

The College does not issue a standalone report for this plan. The plan is currently unfunded as defined by current GASB standards. There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Funding Policy

The plan is established pursuant to two early retirement policies: the 1997 Plan and the 2002 Plan. Each policy stipulates a cap limiting the total amount of early retiree healthcare benefits the College will pay each year. Annual healthcare benefits for the 1997 Plan shall not exceed \$150,000. Similarly, annual healthcare benefits for the 2002 Plan are capped at \$250,000. Benefits paid for sick leave hours are not counted toward plan caps. Requests for early retirement under an early retirement policy will not be granted if the total annual healthcare benefits are expected to exceed the policy's cap in the next academic year. Requests are considered in order based on years of service.

1997 Plan - \$150,000 Annual Cap on Healthcare Benefits

Eligibility

For employees hired prior to July 1, 1997

- Age 55 with 10 years of employment with the College at 0.5 FTE or more, and
- Eligible to retire under PERS

For employees hired between July 1, 1997 and March 1, 2002

- Age 58 with 20 years of full-time employment with the College, and
- Eligible to retire under PERS

Medical Benefits

Benefits before age 65

Payment for full medical, dental, and vision for retiree, spouse, and eligible children until retiree turns 65 or dies. Payment limited to 75% of cost if hired after July 1, 1997.

Benefit after age 65

Payments up to \$62 each per month for retiree and spouse until age 70 or retiree's death. Retiree and spouse must show proof of Medicare Supplemental insurance. All benefits to the spouse end upon the retiree's death. The spouse may continue coverage on a self-pay basis.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Early Retirement Plan (Continued)

OPEB Funding Policy (Continued)

2002 Plan - \$250,000 Annual Cap on Healthcare Benefits

Eligibility

- Hired on or after March 1, 2002; and
- Retire prior to attainment of Full Social Security Retirement Age; and
- Age 58 with 20 years of full-time employment with the College, or
- 30 years of full-time employment with the College

Medical Benefits Benefit before age 65

Contribution toward family medical and vision insurance until retiree turns age 65 or dies. Contribution amounts below are as of the 2002 Calendar year. Contribution amounts are increased each year on January 1 by 3% or the July-June Portland Consumer Price Index, whichever is less.

Requirement	Contribution
20-25 YOS or 41,600-51,999 Hours	\$250/Month
25-30 YOS or 52,000-62,399 Hours	\$300/Month
30+ YOS or 62,400+ Hours	\$350/Month

Benefit after age 65

Payment of up to \$62 per month until retiree turns 70 or dies. Retiree must show proof of Medicare Supplemental insurance.

Summary of Significant Accounting Policies

Employers participating in OPEB are required to report OPEB information in their financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Early Retirement Plan (Continued)

Changes in Total OPEB Plan Liability

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions, and was then projected forward to the measurement date.

	Increase (Decrease) Total OPEB Liability
Changes in Total OPEB Liability	
Balance as of June 30, 2022	\$ 2,538,548
Changes for the Year:	
Service Cost	112,473
Interest on Total OPEB Liability	52,481
Effect of Changes to Benefit Terms	-
Effect of Assumptions Changes or Inputs	(165,338)
Effect of Experience (Gain)/Loss	119,672
Benefit Payments	<u>(217,765)</u>
Net Changes	<u>(98,477)</u>
 Balance as of June 30, 2023	 <u>\$ 2,440,071</u>

For the year ended June 30, 2023, the College recognized postemployment health care benefits liability expense of \$95,827.

Deferred Items

The difference between projected and actual OPEB plan investment earnings attributable to each measurement period is amortized over a closed five-year period.

One year of amortization is recognized in the College's total OPEB expense for fiscal year 2023.

At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 132,434	\$ 329,301
Changes in Assumptions	<u>292,345</u>	<u>149,885</u>
Total (Prior to Post Measurement Date Contributions)	424,779	479,186
Contributions Subsequent to the Measurement Date	-	-
Total	<u>\$ 424,779</u>	<u>\$ 479,186</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Deferred Items (Continued)

As of June 30, 2023, other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIA OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 2,650
2025	2,650
2026	2,650
2027	2,650
2028	2,650
Thereafter	<u>(67,657)</u>
Total	<u>\$ (54,407)</u>

Actuarial Methods and Assumptions

The actuarial information is from a valuation dated June 30, 2023. The actuarial method used to determine the plan liability and service cost is the entry age normal level percentage of pay cost method. 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 actuarial assumptions included: (a) a discount rate of 3.65%, (b) an assumed inflation rate of 2.5% for all future years, (c) 3.5% salary increases per annum for all employees, (d) a medical premium annual trend rate of 3.4% increase in all years, and (e) a dental premium annual trend rate of 3% increase in all years.

Discount Rate

A 2.16% discount rate is used to roll-forward the OPEB liabilities from the June 30, 2023 valuation date to the June 30, 2022 measurement date in accordance with GASB Statement No. 75. The 3.65% discount rate is the June 30, 2023 rate in the 20-Year General Obligation Municipal Bond index published by Bond Buyer.

Plan Assets

The College's Early Retirement OPEB Plan is currently "unfunded" in accordance with the relevant GASB statements.

Sensitivity Analysis

The sensitivity analysis below shows the sensitivity of the College's total OPEB liability calculated using the discount rate of 3.65%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
OPEB Liability	<u>\$ 2,610,827</u>	<u>\$ 2,440,071</u>	<u>\$ 2,281,582</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Sensitivity Analysis (Continued)

The sensitivity analysis below shows the sensitivity of the College's total OPEB liability calculated using the current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower, or one percentage point higher than the current rates:

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
OPEB Liability Using Current Healthcare Cost Trend Rates	<u>\$ 2,242,021</u>	<u>\$ 2,440,071</u>	<u>\$ 2,673,823</u>

NOTE 17 SEGMENT INFORMATION

A segment is an identifiable activity reported as a standalone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable stream pledged in support of revenue bonds and has related expenses, gains, losses, assets, and liabilities that are required by an external party to be accounted for separately.

QALICB issues notes to finance the construction of the Health and Science Building.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 17 SEGMENT INFORMATION (CONTINUED)

Summary financial information for QALICB for the fiscal year ended June 30, 2023 follows:

Condensed Statements of Net Position

Assets	
Current Assets	\$ 269,367
Capital Assets	24,131,399
Total Assets	<u>24,400,766</u>
Liabilities	
Current Liabilities	\$ -
Noncurrent Liabilities	11,300,000
Total Liabilities	<u>11,300,000</u>
Net Position - Restricted	<u>\$ 13,100,766</u>

**Condensed Statements of Revenues,
Expenses, and Changes in Net Position**

Operating Revenues	\$ 466,650
Other Operating Expenses	(1,022,571)
Net Operating Revenue	<u>(555,921)</u>
Nonoperating Revenues	
Interest Income	1,049
Interest Expenses	(169,037)
Total Nonoperating Revenues	<u>(167,988)</u>
Change in Net Position	<u>(723,909)</u>
Total Net Position - Beginning of Year	<u>13,824,675</u>
Total Net Position - End of Year	<u>\$ 13,100,766</u>

Condensed Statements of Cash Flows

Net Cash Provided (Used) by:	
Operating Activities	\$ 79,116
Capital and Related Financing Activities	(169,037)
Investment Activities	1,049
Net Increase in Cash and Cash Equivalents	<u>(88,872)</u>
Cash and Cash Equivalents - Beginning of Year	358,239
Cash and Cash Equivalents - End of Year	<u>\$ 269,367</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2023**

Year Ended June 30,	College's Proportion of the Net Pension Liability (Asset) (a)	College's Proportionate Share of the Net Pension Liability (Asset) (b)	College's Covered Payroll (c)	College's Proportionate Share of the Net Pension Liability/Asset as a Percentage of its Covered Payroll (b/c)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2013	0.070422%	\$ 3,593,726	\$ 10,129,462	(35.48%)	92.00%
2014	0.070422%	(1,596,261)	10,382,627	15.37	103.60
2015	0.072755%	4,177,200	10,557,954	(39.56)	91.90
2016	0.076792%	11,528,202	10,469,817	(110.11)	80.53
2017	0.079923%	10,773,688	10,825,012	(99.53)	83.12
2018	0.083107%	12,589,590	11,222,063	(112.19)	82.10
2019	0.083637%	14,467,207	11,762,580	(122.99)	80.20
2020	0.084890%	18,525,894	12,188,959	(151.99)	75.80
2021	0.088365%	10,574,217	11,864,665	(89.12)	87.60
2022	0.083161%	12,733,619	11,217,574	(113.51)	84.50

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF CONTRIBUTIONS OF NET PENSION LIABILITY
YEAR ENDED JUNE 20, 2023**

Year Ended June 30,	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	College's Covered Payroll (c)	Contributions as a Percent of Covered Payroll (b/c)
2014	\$ 586,573	\$ 586,573	\$ -	\$ 10,382,627	5.65%
2015	530,275	530,275	-	10,557,954	5.02
2016	505,068	505,068	-	10,469,817	4.82
2017	492,978	492,978	-	10,825,012	4.55
2018	674,107	674,107	-	11,222,063	6.01
2019	687,923	687,923	-	11,762,580	5.85
2020	1,015,651	1,015,651	-	12,188,959	8.33
2021	1,123,286	1,123,286	-	11,864,665	9.47
2022	1,221,639	1,221,639	-	11,217,574	10.89
2023	1,230,747	1,230,747	-	11,301,677	10.89

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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2023**

Schedule of College's Proportionate Share of the Net PERS RHIA OPEB Liability*

Year Ended June 30,	College's Proportion of the Net Pension Liability (Asset) (a)	College's Proportionate Share of the Net Pension Liability (Asset) (b)	College's Covered Payroll (c)	College's Proportionate Share of the Net Pension Liability/Asset as a Percentage of its Covered Payroll (b/c)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2016	0.106884%	\$ (29,026)	\$ 10,469,817	0.28%	94.15%
2017	0.103582%	43,229	10,825,012	(0.40)	108.88
2018	0.095138%	106,199	11,222,063	(0.95)	124.00
2019	0.104918%	202,740	11,762,580	(1.72)	144.40
2020	0.096161%	195,938	12,188,959	(1.61)	150.10
2021	0.059227%	203,387	11,864,665	(1.71)	183.90
2022	0.054517%	193,718	11,217,574	(1.73)	194.60

Schedule of College's PERS RHIA OPEB Employer Contribution*

Year Ended June 30,	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	College's Covered Payroll (c)	Contributions as a Percent of Covered Payroll (b/c)
2016	\$ 47,657	\$ 47,657	\$ -	\$ 10,469,817	0.46%
2017	51,569	51,569	-	10,825,012	0.48
2018	46,066	46,066	-	11,222,063	0.41
2019	47,269	47,269	-	11,762,580	0.40
2020	6,723	6,723	-	12,188,959	0.06
2021	2,062	2,062	-	11,864,665	0.02
2022	(1,174)	(1,174)	-	11,217,574	(0.01)
2023	(930)	(930)	-	11,301,677	(0.01)

* 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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2023**

Schedule of College's Total Early Retirement OPEB Liability*

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service Cost	\$ 112,473	\$ 131,065	\$ 126,633	\$ 98,532	\$ 96,129	\$ 98,897	\$ 98,897
Interest	52,481	52,967	58,373	95,207	84,708	86,405	86,405
Changes in Assumptions - Discount Rate		-	-	-	-	-	-
Changes in Assumptions - Other	(165,338)	-	(257,722)	-	327,931	-	-
Experience (Gain)/Loss	119,672	-	-	-	-	-	-
Contributions - Employer	-	-	-	-	-	-	-
Benefit Payments	(217,765)	(169,765)	(210,348)	(212,640)	(204,962)	(152,299)	(152,299)
Net Change in Total OPEB Liability	(98,477)	14,267	(283,064)	(18,901)	303,806	33,003	33,003
Total OPEB Liability - Beginning	2,538,818	2,524,551	2,807,615	2,826,516	2,522,710	2,489,707	972,036
Total OPEB Liability - Ending	<u>\$ 2,440,341</u>	<u>\$ 2,538,818</u>	<u>\$ 2,524,551</u>	<u>\$ 2,807,615</u>	<u>\$ 2,826,516</u>	<u>\$ 2,522,710</u>	<u>\$ 1,005,039</u>
Covered Employee Payroll	\$ 10,669,885	\$ 10,580,198	\$ 10,222,405	\$ 11,179,722	\$ 10,907,046	\$ 12,553,493	\$ 12,247,310
Total OPEB Liability as a Percentage of the Covered Employee Payroll	22.9%	24.0%	24.7%	25.1%	25.9%	20.1%	8.2%

Note: The College has no assets that are accumulated in a trust fund for the payment of these OPEB Benefits.

* These tables will eventually contain 10 years of data. Only the data shown above is available at this time.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

GENERAL FUND

The general fund is used to account for and report resources and activities directly associated with carrying out those operations related to the College's basic educational objectives. Included are all resources and activities which are not accounted for in another fund.

Resources are primarily from state operational support, local property taxes, and student tuition and fees. The majority of general fund expenditures are salaries, fringe benefits, and supplies used to provide student instruction, instructional support, and general operations for the College.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Support	\$ 6,796,334	\$ 6,796,334	\$ 7,000,112	\$ 203,778
State Support	7,960,791	7,960,791	8,399,761	438,970
Federal Support	3,500	3,500	3,310	(190)
Tuition and Fees	5,720,876	5,720,876	5,105,209	(615,667)
Other	693,342	693,342	795,842	102,500
Total Revenues	21,174,843	21,174,843	21,304,234	129,391
EXPENDITURES				
Personnel Services	16,893,831	16,893,831	14,979,599	1,914,232
Materials and Services	4,898,580	4,898,580	4,606,127	292,453
Debt Service	3,535,000	3,535,000	3,000	3,532,000
Capital Outlay	80,000	80,000	28,610	51,390
Total Expenditures	25,407,411	25,407,411	19,617,336	5,790,075
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(4,232,568)	(4,232,568)	1,686,898	5,919,466
OTHER FINANCING SOURCES (USES)				
Transfers In	2,802,864	2,802,864	663,860	(2,139,004)
Transfers Out	(3,847,920)	(3,847,920)	(2,093,859)	1,754,061
Issuance of Debt, Short-Term	3,500,000	3,500,000	-	(3,500,000)
Total Other Financing Sources (Uses)	2,454,944	2,454,944	(1,429,999)	(3,884,943)
NET CHANGE IN FUND BALANCE	(1,777,624)	(1,777,624)	256,899	2,034,523
Fund Balance - Beginning of Year	3,577,624	3,577,624	3,568,590	(9,034)
FUND BALANCE - END OF YEAR	\$ 1,800,000	\$ 1,800,000	\$ 3,825,489	\$ 2,025,489

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2023**

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report resources and activities that are required legally or by sound financial management to be accounted for in separate funds.

DESCRIPTION OF FUNDS

Financial Aid – This fund is used to account for and report federal and state loans, grants, stipends, or other aid to enrolled students. Pell grants, Direct Loans, SEOG funds, and FWS funds are the primary revenue sources.

Special Projects – This fund is used to account for and report proceeds of specific revenue sources that are legally restricted to specific purposes other than direct student financial aid. Special projects, grants, and other contracts for designated purposes are the primary revenue sources. Expenditures are restricted to those items designated or stipulated for in the agreements by each grant, project, or contract.

Reserve – This fund is used to account for and report resources set aside to provide additional protection for the College in case of uninsured losses. Earnings on investments and transfers from other funds are the primary revenue sources.

Student Clubs – This fund is used to account for and report resources generated by students and College staff from special events and sales for travel, materials, and services. Expenditure of funds is determined by the organization for whom the funds are held. Contributions and club receipts are the primary revenue sources.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FINANCIAL AID FUND
YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State Support	\$ 1,375,000	\$ 1,375,000	\$ 1,474,504	\$ 99,504
Federal Support	6,769,000	6,769,000	4,498,302	(2,270,698)
Other	300,000	300,000	213,137	(86,863)
Total Revenues	<u>8,444,000</u>	<u>8,444,000</u>	<u>6,185,943</u>	<u>(2,258,057)</u>
EXPENDITURES				
Personnel Services	94,000	94,000	45,630	48,370
Materials and Services	8,350,000	8,350,000	6,140,313	2,209,687
Total Expenditures	<u>8,444,000</u>	<u>8,444,000</u>	<u>6,185,943</u>	<u>2,258,057</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL PROJECTS FUND
YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State Support	\$ 2,568,070	\$ 4,294,855	\$ 2,215,844	\$ (2,079,011)
Federal Support	7,525,916	7,525,916	9,162,661	1,636,745
Tuition and Fees	487,921	487,921	486,625	(1,296)
Other	2,563,476	2,563,476	1,076,265	(1,487,211)
Total Revenues	13,145,383	14,872,168	12,941,395	(1,930,773)
EXPENDITURES				
Personnel Services	4,454,822	4,824,347	2,970,324	1,854,023
Materials and Services	6,935,123	7,671,857	4,643,043	3,028,814
Capital Outlay	1,757,558	2,378,084	754,742	1,623,342
Total Expenditures	13,147,503	14,874,288	8,368,109	6,506,179
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(2,120)	(2,120)	4,573,286	4,575,406
OTHER FINANCING SOURCES (USES)				
Transfers In	1,333,000	1,333,000	139,823	(1,193,177)
Transfers Out	(2,099,004)	(2,099,004)	(490,000)	1,609,004
Total Other Financing Sources (Uses)	(766,004)	(766,004)	(350,177)	415,827
NET CHANGE IN FUND BALANCE	(768,124)	(768,124)	4,223,109	4,991,233
Fund Balance - Beginning of Year	1,368,124	1,368,124	5,798,039	4,429,915
FUND BALANCE - END OF YEAR	\$ 600,000	\$ 600,000	\$ 10,021,148	\$ 9,421,148

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
RESERVE FUND
YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State Support	\$ -	\$ -	\$ -	\$ -
Other	26,000	26,000	11,027	(14,973)
Total Revenues	26,000	26,000	11,027	(14,973)
EXPENDITURES				
Personnel Services	15,000	15,000	-	15,000
Materials and Services	538,369	538,369	38,141	500,228
Capital Outlay	464,360	464,360	31,327	433,033
Total Expenditures	1,017,729	1,017,729	69,468	948,261
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(991,729)	(991,729)	(58,441)	933,288
OTHER FINANCING SOURCES (USES)				
Transfers In	491,409	491,409	40,000	(451,409)
Transfers Out	(250,000)	(250,000)	-	250,000
Total Other Financing Sources (Uses)	241,409	241,409	40,000	(201,409)
NET CHANGE IN FUND BALANCE	(750,320)	(750,320)	(18,441)	731,879
Fund Balance - Beginning of Year	750,320	750,320	774,289	23,969
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 755,848	\$ 755,848

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STUDENT CLUBS FUND
YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Tuition and Fees	\$ 35,000	\$ 35,000	\$ -	\$ (35,000)
Other	253,000	253,000	268,717	15,717
Total Revenues	<u>288,000</u>	<u>288,000</u>	<u>268,717</u>	<u>(19,283)</u>
OPERATING EXPENSES				
Personnel Services	13,000	13,000	1,241	11,759
Materials and Services	347,000	347,000	251,043	95,957
Capital Outlay	50,000	50,000	-	50,000
Total Operating Expenses	<u>410,000</u>	<u>410,000</u>	<u>252,284</u>	<u>157,716</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(122,000)	(122,000)	16,433	138,433
OTHER FINANCING SOURCES (USES)				
Transfers In	2,000	2,000	4,740	2,740
Transfers Out	(30,000)	(30,000)	-	30,000
Total Other Financing Uses	<u>(28,000)</u>	<u>(28,000)</u>	<u>4,740</u>	<u>32,740</u>
NET CHANGE IN FUND BALANCE	(150,000)	(150,000)	21,173	171,173
Fund Balance - Beginning of Year	<u>150,000</u>	<u>150,000</u>	<u>193,901</u>	<u>43,901</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,074</u>	<u>\$ 215,074</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2023**

DEBT SERVICE FUND

Debt service funds are used to account for the accumulation of resources and payment of general long-term debt principal and interest.

DESCRIPTION OF FUND

Bonded Debt – This fund is used to account for principal and interest on lease and bond indebtedness. The primary sources of revenue are transfers from the General Fund, the PERS intercept portion of state school support, and the federal government interest subsidy on federally taxable recovery zone development obligations.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State Support	\$ 1,472,137	\$ 1,472,137	\$ 1,467,884	\$ (4,253)
Other Income			29,783	29,783
Total Revenues	<u>1,472,137</u>	<u>1,472,137</u>	<u>1,497,667</u>	<u>25,530</u>
EXPENDITURES				
Debt Service	<u>3,399,454</u>	<u>3,399,454</u>	<u>3,378,625</u>	<u>20,829</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(1,927,317)	(1,927,317)	(1,880,958)	46,359
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>1,980,410</u>	<u>1,980,410</u>	<u>1,958,041</u>	<u>(22,369)</u>
NET CHANGE IN FUND BALANCE	53,093	53,093	77,083	23,990
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>580,932</u>	<u>580,932</u>
FUND BALANCE - END OF YEAR	<u>\$ 53,093</u>	<u>\$ 53,093</u>	<u>\$ 658,015</u>	<u>\$ 604,922</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2023**

CAPITAL PROJECTS FUND

Capital projects funds are used to account for and report the acquisition and construction of major capital facilities.

DESCRIPTION OF FUND

Plant – This fund is used to account for and report financial resources to be used for acquisition or construction of major capital facilities, the purchase of major initial equipment, and major remodeling. Borrowed funds, state support, earnings on investments, and transfers from other funds are the primary revenue sources.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PLANT FUND
YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State Support	\$ -	\$ -	\$ 143,583	\$ 143,583
Federal Support	-	-	-	-
Other Income	5,600,000	5,600,000	287,647	(5,312,353)
Total Revenues	<u>5,600,000</u>	<u>5,600,000</u>	<u>431,230</u>	<u>(5,168,770)</u>
EXPENDITURES				
Personnel Services	-	-	-	-
Materials and Services	648,352	648,352	511,500	136,852
Capital Outlay	5,171,819	5,171,819	131,732	5,040,087
Total Expenditures	<u>5,820,171</u>	<u>5,820,171</u>	<u>643,232</u>	<u>5,176,939</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(220,171)	(220,171)	(212,002)	8,169
OTHER FINANCING SOURCES (USES)				
Transfers In	406,000	406,000	156,000	(250,000)
Transfers Out	(250,000)	(250,000)	-	250,000
Total Other Financing Sources (Uses)	<u>156,000</u>	<u>156,000</u>	<u>156,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(64,171)	(64,171)	(56,002)	8,169
Fund Balance - Beginning of Year	<u>64,171</u>	<u>64,171</u>	<u>233,117</u>	<u>168,946</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,115</u>	<u>\$ 177,115</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2023**

ENTERPRISE FUNDS

DESCRIPTION OF FUNDS

Enterprise – This fund is used to account for and report the operations of the College's campus store, the Newmark Center, student housing, food service, conferencing, and culinary arts. Sales of books and supplies, lease rental payments, and tuition and fees are the primary revenue sources.

Internal Service Fund – Internal service funds are used to account for and report the financing of goods or services provided by one department of the College to the other departments on a cost reimbursement basis.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUND
YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Tuition and Fees	\$ 2,257,042	\$ 2,257,042	\$ 1,028,595	\$ (1,228,447)
Other	5,628,440	5,628,440	4,770,150	(858,290)
Total Operating Revenues	<u>7,885,482</u>	<u>7,885,482</u>	<u>5,798,745</u>	<u>(2,086,737)</u>
OPERATING EXPENSES				
Personnel Services	2,310,941	2,310,941	1,906,591	404,350
Materials and Services	4,088,166	4,088,166	3,202,663	885,503
Capital Outlay	105,000	105,000	17,441	87,559
Debt Service	878,926	878,926	878,548	378
Total Operating Expenses	<u>7,383,033</u>	<u>7,383,033</u>	<u>6,005,243</u>	<u>1,377,790</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	502,449	502,449	(206,498)	(708,947)
OTHER FINANCING SOURCES (USES)				
Transfers In	34,622	34,622	-	(34,622)
Transfers Out	(675,069)	(675,069)	(438,073)	236,996
Total Other Financing Sources (Uses)	<u>(640,447)</u>	<u>(640,447)</u>	<u>(438,073)</u>	<u>202,374</u>
NET CHANGE IN FUND BALANCE	(137,998)	(137,998)	(644,571)	(506,573)
Fund Balance - Beginning of Year	<u>880,000</u>	<u>880,000</u>	<u>(3,401,741)</u>	<u>(4,281,741)</u>
FUND BALANCE - END OF YEAR	<u>\$ 742,002</u>	<u>\$ 742,002</u>	<u>\$ (4,046,312)</u>	<u>\$ (4,788,314)</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for Services	\$ 341,292	\$ 341,292	\$ 235,358	\$ (105,934)
OPERATING EXPENSES				
Personnel Services	125,378	125,378	102,460	22,918
Materials and Services	310,002	310,002	184,853	125,149
Capital Outlay	7,600	7,600	7,516	84
Total Operating Expenses	<u>442,980</u>	<u>442,980</u>	<u>294,829</u>	<u>148,151</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(101,688)	(101,688)	(59,471)	42,217
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>101,688</u>	<u>101,688</u>	<u>59,471</u>	<u>(42,217)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Education
Southwestern Oregon Community College
Coos Bay, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Southwestern Oregon Community College (the College) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 5, 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwestern Oregon 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 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)

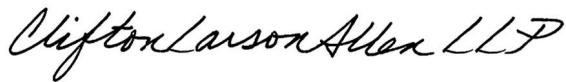
Board of Education
Southwestern Oregon Community College

In connection with our testing, nothing came to our attention that caused us to believe Southwestern Oregon 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 Southwestern Oregon 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 5, 2023



Jean Bushong, CPA
Principal
CPA License #98624
Oregon Municipal License #1662



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

Board of Education
Southwestern Oregon Community College
Coos Bay, 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 Southwestern Oregon Community College, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Southwestern Oregon Community College's basic financial statements, and have issued our report thereon dated December 5, 2023. Our report includes the financial statements of the Southwestern Oregon Community College Foundation. This component unit was not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southwestern Oregon Community College's internal control over financial reporting (internal control) as a basis for designing 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 Southwestern Oregon Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Southwestern Oregon 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwestern Oregon 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 financial statements. 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 results 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 5, 2023



Jean Bushong, CPA
Principal
CPA License #98624
Oregon Municipal License #1662



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

Board of Education
Southwestern Oregon Community College
Coos Bay, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southwestern Oregon Community College's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Southwestern Oregon Community College's major federal programs for the year ended June 30, 2023. Southwestern Oregon Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Southwestern Oregon Community College complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Southwestern Oregon Community College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Southwestern Oregon Community College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Southwestern Oregon Community College's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Southwestern Oregon Community College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Southwestern Oregon Community College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Southwestern Oregon Community College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Southwestern Oregon Community College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Southwestern Oregon Community College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 2023-001, 2023-002 and 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Southwestern Oregon Community College's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Southwestern Oregon Community College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002 and 2023-003, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Southwestern Oregon Community College's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Southwestern Oregon Community College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



CliftonLarsonAllen LLP

Bellevue, Washington
December 5, 2023

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Cluster Title/Direct Award or Pass Through Entity	Assistance Listing Number	Grant Number or Pass-Through Identifying Number	Amounts Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
<u>Pass-Through from:</u>				
Oregon Department of Education				
Child Care Resources and Referral Network	93.596		\$ 6,100	\$ 215,574
Child Care Resources and Referral Network	93.575	12216		128,287
Child Care and Development Block Grant	93.575	12275	56,599	851,206
Child Care and Development Block Grant	93.575	18527	-	-
Total U.S. Department of Health and Human Services			62,699	1,195,067
<u>U.S. Department of Education</u>				
<u>Direct Program</u>				
Student Financial Assistance Programs Cluster				
Federal Pell Grant Program	84.063	P063P192071	-	2,285,528
Federal Supplemental Education Opportunity Grants	84.007	P007A193511	-	125,750
Federal Work Study Program	84.033	P033A193511	-	97,446
Federal Direct Student Loans	84.268	P268K192071	-	2,038,084
Total Student Financial Assistance Programs Cluster			-	4,546,808
Education Stabilization Fund				
COVID-19 Higher Education Relief Funding (HEERF) Student Aid Program	COVID-19 / 84.425E	P425E202273	-	6,553
COVID-19 Higher Education Relief Funding (HEERF) Institutional Program	COVID-19 / 84.425F	P425F202292	-	121,240
COVID-19 Higher Education Relief Funding (HEERF) Strengthening Institutions Program	COVID-19 / 84.425M	P425M200572	-	267,963
COVID-19 Higher Education Coordinating Commission	COVID-19 / 84.425C	21-016	-	868,808
COVID-19 Linn-Benton Community College	COVID-19 / 84.425U		-	82,814
Total CARES Act Cluster			-	1,347,378
TRIO Programs Cluster				
TRIO - Educational Talent Search	84.044A		-	340,310
TRIO - Educational Talent Search	84.044A		-	188,546
TRIO - Student Support Services	84.042A		-	340,978
TRIO - Upward Bound	84.047A		-	252,815
Total TRIO Programs Cluster			-	1,122,650
Carl Perkins Vocational Education	84.048A	V048A190037/ 300468	-	117,170
<u>Pass-Through Programs</u>				
Higher Education Coordinating Commission (HECC)				
Nontraditional Perkins Grant	84.048A	21-225A	-	18,000
WIOA Title II Adult Education & Family Literacy	84.002A	21-112M	-	190,526
CASAS - Statewide Remote Testing Proctor	84.002A	21-049-001	-	28,117
Total U.S. Department of Education			-	7,370,649
<u>U.S. Small Business Administration</u>				
<u>Pass-Through Programs</u>				
Oregon Small Business Development Network				
Small Business Development Center	59.037	SBA-2022-156	-	52,811
Total U.S. Small Business Administration			-	52,811

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Cluster Title/Direct Award or Pass Through Entity	Assistance Listing Number	Grant Number or Pass-Through Identifying Number	Amounts Passed Through to Subrecipients	Total Federal Expenditures
<u>National Aeronautics & Space Administration</u>				
<u>Pass-Through Programs</u>				
Oregon State University Office of Stem Engagement (OSTEM)	43.008	NS324G-J	-	33,823
Total National Aeronautics & Space Administration			-	33,823
<u>U.S. Department of Treasury</u>				
<u>Pass-Through Programs</u>				
OR Depart. of Administrative Services COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	8189	-	10,000
Total U.S. Department of Treasury			-	10,000
<u>U.S. Department of Labor</u>				
<u>Pass-Through Programs</u>				
Mount Hood Community College Strengthening Community Colleges Training Grants	17.261	none	-	87,690
Southwestern Oregon Workforce Investment Board WIOA Adult Program	17.258	172-22	-	222,886
WIOA Dislocated Workers Program	17.278	172-22	-	22,814
Total U.S. Department of Labor			-	333,390
<u>U.S. Department of Justice</u>				
<u>Direct Program</u>				
VOCA Funding Initiatives to Address OR Victim Service Gaps 2nd Release	16.575	VOCA-FI-2020- SOCC-00057	28,100	35,185
Total U.S. Department of Justice			28,100	35,185
<u>U.S. Department of Agriculture</u>				
<u>Pass-Through Programs</u>				
State of Oregon Department of Education Summer Food Service Food Program for Children	10.555	0619007	-	369
Oregon State University New Beginnings for Tribal Students	10.527	C0571A-A	-	33,329
Total U.S. Department of Agriculture			-	33,697
Total Federal Assistance			\$ 90,799	\$ 9,064,623

See accompanying Notes to Schedule of Expenditures of Federal Awards.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Southwestern Oregon Community College under programs of the federal government of the year ended June 30, 2023. The information in this 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 Southwestern Oregon Community College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Southwestern Oregon Community College.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Southwestern Oregon Community College has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Basic Financial Statements

- | | |
|--|--|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| • Material weakness(es) identified? | _____ yes <u> x </u> no |
| • Significant deficiency(ies) identified? | _____ yes <u> x </u> none reported |
| 3. Noncompliance material to basic financial statements noted? | _____ yes <u> x </u> no |

Federal Awards

- | | |
|---|---|
| 1. Internal control over major federal programs: | |
| • Material weakness(es) identified? | _____ yes <u> x </u> no |
| • Significant deficiency(ies) identified? | <u> x </u> yes _____ none reported |
| 2. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <u> x </u> yes _____ no |

Identification of Major Federal Programs

CFDA Number(s)

84.425
84.TRIO

Name of Federal Program

Education Stabilization Fund
TRIO Programs Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000/\$187,000

Auditee qualified as low-risk auditee?

 x yes _____ no

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2023-001 Education Stabilization Fund

Federal Agency: Department of Education

Federal Program Title: Higher Education Emergency Relief Fund

ALN Numbers: 84.425F

Federal Award Identification Number and Year: P425F202292 - 20B - 2021

Award Period: July 1, 2022 - June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control Over Compliance
- Other Matters

Criteria or specific requirement: Per Uniform Guidance 2 CFR sections 200.320 and 200.318(i); a non-federal entity must have procedures that document the rationale for the method of procurement, selection of the contract type, basis for contractor selection, and the basis for the contract price. In addition, Uniform Grant Guidance (2 CFR 20.303) requires nonfederal entities receiving Federal awards establish and maintain controls designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition: During our testing of the procurement process, we noted that college was not in compliance with the federal procurement regulations.

Questioned costs: None

Context: In our sample of three procurement transactions, one transaction did not have the required procurement documentation.

Cause: The College had an existing contract with a vendor and thought the transaction was covered under the original procurement.

Effect: The College is not in compliance with procurement requirements to properly document the procurement rationale for the method of procurement.

Repeat Finding: No

Recommendation: We recommend the College revise their processes to establish procedures that will ensure procurement policies are properly followed and documented for all general disbursements paid for by federal funds.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

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

2023-002 Education Stabilization Fund

Federal Agency: Department of Education

Federal Program Title: Higher Education Emergency Relief Fund

ALN Numbers: 84.425F

Federal Award Identification Number and Year: P425F202292 – 20B - 2021

Award Period: July 1, 2022 through June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control Over Compliance
- Other Matters

Criteria or specific requirement: Under section 2003(5) of the American Rescue Plan Act of 2021 (ARP) (Pub. L. 117-2) (supplemental award or grant) by the U.S. Department of Education, Recipient must use a portion of their institutional funds received under this supplemental award to (a) to implement evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines; and (b) conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student, or other circumstances, described in section 479A of the Higher Education Act of 1965, as amended (HEA) (20 USC § 1087tt). In addition, Uniform Grant Guidance (2 CFR 20.303) requires nonfederal entities receiving Federal awards establish and maintain controls designed to reasonable ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition: During our testing, we noted there was no amount allocated to the earmarking requirement.

Questioned costs: None

Context: During our testing, we noted the College was not in compliance with the annual reporting requirements because the College did not report ARP funds expended to conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student or other circumstances, described in section 479A of the HEA.

Cause: The policies and procedures of the College did not ensure that annual reporting requirements to report amounts spent for earmarking requirements were accurately met.

Effect: The College inaccurately reported the amount spent under earmarking requirements. Non-compliance with federal regulations could lead to funds being required to be returned or refunded in order to meet the reporting requirement.

Repeat Finding: No

**SOUTHWESTERN OREGON COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Recommendation: We recommend the College revise their report to properly show the amount spent under earmarking requirements. In addition, we recommend the College put procedures in place to review earmarking requirements and properly track them for reporting purposes.

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

2023-003 Education Stabilization Fund

Federal Agency: Department of Education

Federal Program Title: Higher Education Emergency Relief Fund

ALN Numbers: 84.425F and 84.825E

Federal Award Identification Number and Year: P425E202273 - 2021 & P425F202292 – 20B - 2021

Award Period: July 1, 2022 through June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control Over Compliance
- Other Matters

Criteria or specific requirement: Per Uniform Guidance 2 CFR 200.303, non-federal entities receiving federal awards are required to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements. The initial reporting for this grant requires the report to be submitted to the Institution’s website within 30 days of the signed Certification Agreement or 30 days after the electronic announcement dated May 6, whichever is later. Institutions were then required to update their websites every 45 days after initial upload. This was changed to quarterly on August 31, 2020. In addition, an annual report is required.

Condition: The College did not report the correct amount for total quarterly expenditures for one of the quarterly reports tested.

Questioned costs: None

Context: One of two HEERF quarterly reports tested included data that did not agree to supporting documentation.

Cause: The control system put in place for review of these reports is not operating effectively.

Effect: The College reported an incorrect amount for total quarterly expenditures.

Repeat Finding: No

Recommendation: CLA recommends SOCC reviews its review process for these reports and implements a reconciling process between the report and the supporting documentation to make sure these things match before being signed off as reviewed. CLA also recommends a second reviewer of these reports.

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



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