

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2019**



[CLAconnect.com](http://CLAconnect.com)

WEALTH ADVISORY  
OUTSOURCING  
AUDIT, TAX, AND  
CONSULTING

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2019**

<b>COLLEGE OFFICIALS</b>	<b>1</b>
<b>FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>2</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>5</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>14</b>
<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>16</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>18</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>20</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULES OF NET PENSION LIABILITY</b>	<b>68</b>
<b>SCHEDULE OF PROPORTIONATE SHARE AND EMPLOYER     CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS</b>	<b>69</b>
<b>SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED     RATIOS</b>	<b>70</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND     BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)</b>	<b>71</b>
<b>GENERAL FUND</b>	<b>71</b>
<b>SPECIAL REVENUE FUNDS</b>	<b>73</b>
<b>FINANCIAL AID FUND</b>	<b>74</b>
<b>SPECIAL PROJECTS FUND</b>	<b>75</b>
<b>INSURANCE RESERVE FUND</b>	<b>76</b>
<b>DEBT SERVICE FUND</b>	<b>77</b>
<b>CAPITAL PROJECTS FUND</b>	<b>79</b>
<b>PLANT FUND</b>	<b>80</b>
<b>ENTERPRISE FUNDS</b>	<b>81</b>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2019**

<b>ENTERPRISE FUND</b>	<b>82</b>
<b>INTERNAL SERVICE FUND</b>	<b>83</b>
<b>TRUST AND AGENCY FUND</b>	<b>84</b>
<b>ACCOMPANYING INFORMATION</b>	
<b>INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS</b>	<b>86</b>
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>88</b>
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>90</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>93</b>
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>95</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>96</b>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
COLLEGE OFFICIALS  
JUNE 30, 2019**

David Bridgham, Board Chair  
PO Box 752  
North Bend, OR 97459

Susan Anderson, Board Chair  
557 North 4<sup>th</sup> Court  
Coos Bay, OR 97420

Marcia Jensen  
68001 Rhoadie Lane  
North Bend, OR 97459

Harry Abel  
93706 Pickett Lane  
Coos Bay, OR 97420

Ken Messerle  
94271 Coos Sumner Lane  
Coos Bay, OR 97420

David Bassett  
42292 Garrison Lake Road  
Port Orford, OR 97465

Mark Gagnon  
64566 E. Bay Road  
North Bend, OR 97459

---

Patty Scott  
President/Clerk

Jeff Whitey  
Vice President of Administrative Services

Kathy Dixon, CPA  
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 Financial Statements**

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, 2019, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Southwestern Oregon Community College Foundation (the Foundation), which represents 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of contributions and schedule of proportionate share of the net pension liability, schedule of proportionate share and employer contributions for other postemployment benefits (OPEB), and schedule of changes in total OPEB liability and related ratios as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019, 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 6, 2019, on our consideration of Southwestern Oregon Community College's compliance with certain provisions of laws, regulations contracts, and grants, including provisions of Oregon Revised Statues 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 6, 2019



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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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 year, ending June 30, 2019 and 2018. 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 2019:

- In April 2019, the College broke ground on the new health and science technology building. New Markets Tax Credit of approximately \$1.9 million along with the issuance of \$5 million in full faith and credit obligation bonds completed the financing for construction. The building when completed in fall of 2020 will provide state of the art equipment, labs, faculty offices, and an auditorium to house nursing, geology, chemistry, EMT, and other science programs.
- Overall in 2018-19, unduplicated student headcount decreased by 652 students ending the year at 6,641 a decrease of 9%. At the same time, full-time equivalent students (FTE) declined from 2,475 in the academic year ending 2018 to 2,212 in 2019, a decline of 10.61%.
- During 2018-19 the College issued \$10.6 million full faith and credit obligation bonds for financing capital improvements designed to increase energy efficiency. Upgrades apply to all facilities on both campuses including student housing. Energy savings will be used to repay the bond debt service.
- In May 2019, the College issued an additional \$1.8 million full faith and credit obligation bonds for aging deferred maintenance projects. In addition the College received a Community Sports Development Alliance grant to upgrade existing athletic fields with synthetic turf.

### **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 audit section. 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 the newly formed 501 (c) 3 "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. The basic financial statements are comprised of the following:

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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 nonfinancial 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 nonoperating, with operating revenues primarily coming from tuition and fees, grants, and contracts. State appropriations and property taxes are classified as nonoperating revenues. The College reports operating expenses by functions such as instruction, college support, and instructional support. Interest is the main component of nonoperating expenses.

The statement of cash flows presents information on the inflow and outflow of cash from operating activities, noncapital 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 \$78.9 million in fiscal year 2019, a major increase of \$25.9 million from fiscal year 2018. Cash increased slightly over \$22 million due to the issuance of full faith and credit obligation bonds totaling nearly \$17 million.

Total liabilities and deferred inflows of resources also increased substantially from \$49.8 million in fiscal year 2018 to \$83.1 million in 2019 a difference of \$33.3 million. The increase primarily impacted noncurrent liabilities as a direct result of the \$17 million in bonds issued and \$11.3 million in notes payable incurred by the QALICB at the closing of New Markets Tax Credit on June 25.

The College's net position at June 30, 2019 was a negative (\$4.2) million representing a decrease of \$7.3 million from the \$3 million reported at June 30, 2018. The College and QALICB New Markets Tax Credit closing transactions was a major factor resulting in the \$7.3 million decrease.

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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Analysis of the Statement of Net Position (Continued)**

**Statement of Net Position**

	2019	2018	Change %
<b>ASSETS</b>			
Current Assets	\$ 8,669,530	\$ 9,152,939	(5.3%)
Current Assets - Restricted	24,725,740	1,698,368	100.0
Capital Assets, Net of Depreciation	40,365,724	38,000,543	6.2
Other Noncurrent Assets	17,621	11,778	49.6
Deferred Outflows of Resources	5,097,404	4,033,376	26.4
Total Assets and Deferred Outflows	<u>\$ 78,876,019</u>	<u>\$ 52,897,004</u>	49.1
<b>LIABILITIES</b>			
Current Liabilities	\$ 7,800,994	\$ 4,888,811	59.6
Noncurrent Liabilities	73,425,966	43,726,203	67.9
Deferred Inflows of Resources	1,896,899	1,189,418	59.5
Total Liabilities and Deferred Inflows	<u>83,123,859</u>	<u>49,804,432</u>	66.9
<b>NET POSITION</b>			
Net Investment in Capital Assets	18,826,770	16,922,450	11.3
Restricted	133,249	1,641,730	(91.9)
Unrestricted	(23,207,859)	(15,471,205)	50.0
Total Net Position	<u>\$ (4,247,840)</u>	<u>\$ 3,092,975</u>	(237.3%)

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.

Noncurrent assets are comprised of capital assets net of depreciation. Deferred outflows of resources and deferred inflows of resources consist of amounts related to pensions, postemployment benefits, and deferred charges on debt refunding. Noncurrent liabilities include bonds payable, capital leases, other postemployment benefits, and net pension liability.

Currently, \$18.8 million represents the net investment in capital assets, an increase of \$1.9 million from the 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, 2019**

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

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, are reported as nonoperating revenues according to generally accepted accounting principles (GAAP).

**Statement of Revenues, Expenses, and Changes in Net Position**

	2019	2018	Change %
<b>OPERATING REVENUES</b>			
Tuition and Fees, Net of Scholarship Allowances	\$ 3,510,954	\$ 3,473,616	1.1%
Federal, State, and Local Grants and Contracts	7,873,582	8,586,259	(8.3)
Auxiliary Enterprises	3,956,757	3,965,730	(0.2)
Donations	585,627	45,114	1,198.1
Other Operating Revenue	736,660	2,152,866	(65.8)
Total Operating Revenues	16,663,580	18,223,585	(8.6)
<b>OPERATING EXPENSES</b>			
Instruction	6,924,126	6,339,113	-
Instructional Support	1,590,262	2,190,844	(27.4)
College Support	5,930,938	4,550,381	30.3
Student Services	4,355,921	3,862,243	12.8
Plant Operations and Maintenance	1,216,275	1,926,166	(36.9)
Community Services	2,416,872	2,062,748	17.2
Student Financial Aid	4,509,183	4,868,518	(7.4)
Auxiliary Enterprises	2,836,717	3,012,489	(5.8)
Postemployment and Early Retirement Costs	1,627,193	1,623,260	-
Depreciation	1,636,119	1,730,876	(5.5)
Total Operating Expenses	33,043,606	32,166,638	2.7
<b>OPERATING LOSS</b>	(16,380,026)	(13,943,053)	17.5
<b>NONOPERATING REVENUES</b>			
State Community College Support	7,651,895	7,758,577	(1.4)
Other State Sources	2,461,209	671,115	266.7
Property Taxes	5,967,746	6,309,303	(5.4)
Pell Grants	2,775,727	3,154,652	(12.0)
Gain (Loss) on Disposal of Assets	(9,555)	(86,510)	(89.0)
Interest Income	386,182	170,797	126.1
QALICB Contributions and Issuance Costs	(8,638,050)	-	N/A
Interest Expense	(1,259,323)	(1,311,634)	(4.0)
Other Nonoperating Expenses	(296,620)	-	N/A
Total Nonoperating Revenues, Net	9,039,211	16,666,300	(45.8)
<b>CHANGES IN NET POSITION</b>	(7,340,815)	2,723,247	(369.6)
Net Position - Beginning of Year	3,092,975	369,728	736.6
<b>NET POSITION - END OF YEAR</b>	\$ (4,247,840)	\$ 3,092,975	(237.3%)

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

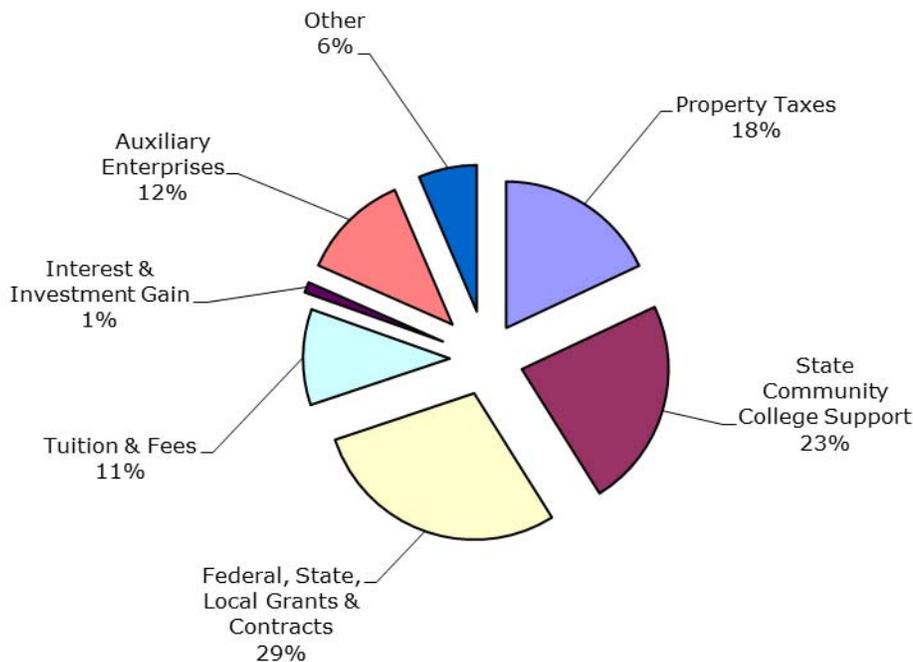
**Analysis of the Statement of Revenues, Expenses, and Changes in Net Position (Continued)**

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 bookstore. Federal funds declined in 2019 due to grants closing out and fewer students receiving financial aid. However, donations saw a sharp increase resulting from \$.5 million in contributions from the Foundation during fiscal year 2019. Other operating revenue decreased over the prior year by \$.6 million. Changes in these revenues resulted from activities related to the new health and science building and private grants. As a whole operating revenues declined 8.6% in 2019.

Nonoperating revenues decreased over expenses \$7.6 million from \$16.7 million in 2018 to \$9.0 million in 2019. The decrease resulted primarily from costs associated with establishing the SWOCC QALICB and obtaining new market tax credits.

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

**Revenue Sources for Fiscal Year 2019**



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

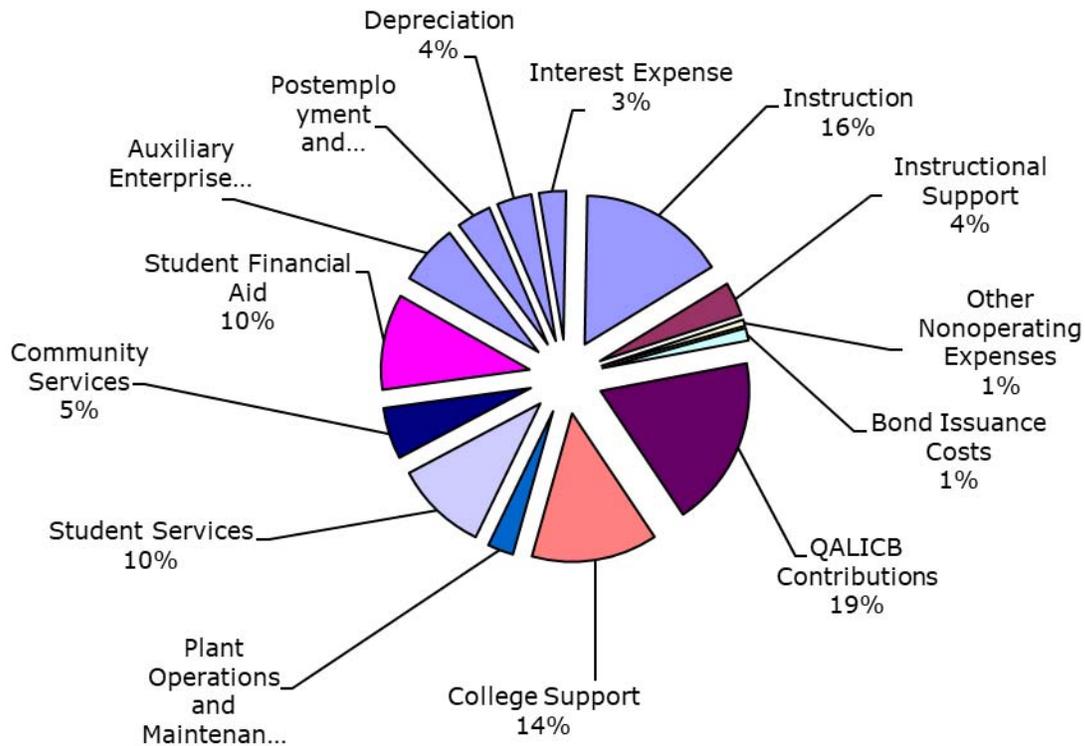
Operating expenses increased by \$0.9 million college support saw the largest increase of \$1.4 million once again due primarily to increase in wages and benefits.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**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:

**Expenses for Fiscal Year 2019**



**Analysis of the Statement of Cash Flows**

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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Analysis of the Statement of Cash Flows (Continued)**

**Statement of Cash Flows**

	2019	2018	Change %
Cash Provided by:			
Operating Activities	\$ (13,334,281)	\$ (8,881,832)	50.1%
Noncapital Financing Activities	18,579,786	17,889,699	3.9
Capital Financing Activities	15,018,205	(12,490,565)	(220.2)
Investing Activities	386,182	170,797	126.1
Net Increase (Decrease)	20,649,892	(3,311,901)	(723.5)
Cash - Beginning of Year	8,357,258	11,669,159	(28.4)
Cash - End of Year	<u>\$ 29,007,150</u>	<u>\$ 8,357,258</u>	<u>247.1%</u>

The major sources of funds for operating activities include student tuition and fees, federal/state, grants, and auxiliary enterprises. Major uses were payments made to employees, suppliers, and students for financial aid. Operating activities increased between 2019 and 2018 significantly due to the construction of the health and science technology building. State FTE reimbursement and property taxes are the primary sources of noncapital financing. Capital financing activities increased by \$27.5 million primarily due to receipt of proceeds from bond issuances. Investing activities jumped 126.1% from the prior year due to investment earnings on bond proceeds.

**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 budget categories can be authorized by Board resolution providing the change is 15% 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, 2019 is \$40.4 million net of accumulated depreciation. Investment in capital assets (depreciable and nondepreciable) 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, 2019**

**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 \$55.8 million. Of this amount, \$44.2 million is comprised of debt backed by the full faith and credit of the College (bonds), \$.3 million in capital leases, 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% 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 \$180 million of general obligation bonds and stay within the limit. Obligations secured by lease payments and other nongeneral 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.

**Component Unit**

Included in this financial report is information for the discretely presented component unit, Southwestern Oregon Community College Foundation, Inc. The Foundation was incorporated on January 3, 1962, and registered as a separate nonprofit corporation with the state of Oregon. Their Articles of Incorporation establish the purpose of the Foundation is to support scholarships and programs for the College. The Foundation has a 501 (c) 3 status under the provisions of the Internal Revenue Code, and is exempt from Federal Income Tax. Contributions to the Foundation are tax deductible as defined by the Internal Revenue Service regulations. Bylaws govern the internal affairs of the Foundation. The Board of Directors sets policies for Foundation operations.

The Foundation operates within a written agreement with the College that clearly defines Foundation activities and establishes College support of the Foundation. It receives, administers, and disposes of property donated for the benefit of the College, coordinates fundraising efforts, and assists in promoting and marketing the College. Financial information for the component unit is found in the entity-wide financial statements within the component unit column.

Summary component unit information follows

Current Assets	\$ 206,667	Operating Revenues	\$ 1,077,597
Noncurrent Assets	4,980,455	Operating Expenses	897,113
Total Assets	<u>\$ 5,187,122</u>	Operating Gain	180,484
Current Liabilities	\$ 600	Nonoperating Revenue	235,444
Restricted Net Position	3,479,571	Change in Net Position	415,928
Unrestricted Net Position	1,706,951	Net Position - Beginning of Year	4,770,594
Total Current Liabilities and Net Position	<u>\$ 5,187,122</u>	Net Position - End of Year	<u>\$ 5,186,522</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**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. To mitigate the uncertainty of state funding the College continues aggressively to manage its financial position by developing new programs, strengthening retention, providing numerous athletic programs, and ensuring student success.

In 2015-16 Oregon's economy was on a full-throttle growth. Consequently, the state's Community College Support Fund (CCSF) had also experienced growth. For the 2017-2019 biennium budget, the Oregon Legislature appropriated \$570 million to the CCSF fund. However, with increasing costs in insurance, minimum wage rates, and the uncertainty of PERS the CCSF remains underfunded. In order to maintain current programs and fund new ones the Board approved an increase in per credit tuition by \$2 and an increase in course and per credit fees by \$1 for the 2018-2019 budget.

Because enrollment levels have remained relatively flat, in an effort to grow enrollment Southwestern Oregon Community College continues to establish new programs for jobs that are in demand locally. Medical careers are some of the jobs that are in high demand in Coos, Curry, and west Douglas counties as baby boomers are entering retirement. In order to meet this demand the College successfully secured funding to build a new state of the art health and science building on their Coos campus. The new building, when completed in the fall of 2020, will house nursing programs, EMT, geology, chemistry, and other related science programs.

In order for the College to maintain sustainability the College reviewed many processes and adjusted current practices to ensure student needs and core themes remain priority. In so doing, the 2018-19 budget process changed to allow faculty and staff to put forth their requests that enhance programs. The executive team reviewed these requests, putting aside funds for those that met the College's core themes and mission. The College is also aggressively seeking tenants to fill the Newmark Center as well as creating a "retail plan" for the Bookstore to transition to more of a campus store as the future of textbooks continues to change. In addition, recruiting and promoting special events remains a high priority for the Oregon Coast Culinary Institute (OOCI) and Housing as they play a very important role on enrollment, this is a plus, as most Oregon community colleges do not offer these. OOCI and Housing indirectly and directly support program initiatives and the operations of the General Fund.

**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:

Finance and Budget  
Southwestern Oregon Community College  
1988 Newmark Avenue  
Coos Bay OR 97420

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

<b>ASSETS</b>	<u>Primary Government</u>	<u>Component Unit</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4,263,789	\$ 185,667
Restricted Cash and Cash Equivalents	38,130	-
Restricted Cash and Cash Equivalents - Bond Issues	16,975,000	-
Restricted Cash and Cash Equivalents - Health and Science Building	7,712,610	-
Receivables:		
Accounts, Net	3,514,629	-
Property Taxes	531,993	-
Pledges	-	21,000
Prepaid Expenses	225,592	-
Inventory	133,527	-
Total Current Assets	<u>33,395,270</u>	<u>206,667</u>
<b>NONCURRENT ASSETS</b>		
Restricted Cash - Pension and Refunding Bonds	17,621	-
Pledges Receivable	-	250,531
Long-Term Investments	-	4,671,294
Loan to Primary Government	-	48,280
Nondepreciable Capital Assets	6,346,034	10,350
Capital Assets, Net of Accumulated Depreciation	<u>34,019,690</u>	<u>-</u>
Total Noncurrent Assets	<u>40,383,345</u>	<u>4,980,455</u>
 Total Assets	 <u><u>\$ 73,778,615</u></u>	 <u><u>\$ 5,187,122</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	\$ 4,598,172	\$ -
Deferred Amounts Related to OPEB	345,287	-
Deferred Charge on Refunding	153,945	-
Total Deferred Outflows of Resources	<u><u>\$ 5,097,404</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**JUNE 30, 2019**

	Primary Government	Component Unit
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 2,372,941	\$ 600
Accrued Payroll and Payroll Liabilities	973,755	-
Accrued Interest Payable	250,984	-
Deposits Payable	390,021	-
Short-Term Borrowing	1,185,876	-
Unearned Revenues	90,000	-
Current Portion of Long-Term Debt:		
Bonds Payable	2,125,000	-
Notes Payable	-	-
Loan Payable to Component Unit	48,271	-
Capital Leases Payable	156,953	-
Sick Leave Payable (Stipend)	207,193	-
Total Current Liabilities	7,800,994	600
<b>NONCURRENT LIABILITIES</b>		
Bonds Payable	42,050,001	-
Notes Payable	11,300,000	-
Loan Payable to Component Unit	-	-
Capital Leases Payable	93,476	-
Unamortized Bond Discounts and Premiums	2,484,334	-
Net Pension Liability	14,004,820	-
Compensated Absences Payable	539,375	-
Sick Leave Payable (Stipend)	233,643	-
Other Postemployment Benefits	2,720,317	-
Total Noncurrent Liabilities	73,425,966	-
Total Liabilities	\$ 81,226,960	\$ 600
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred Amounts Related to Pensions	\$ 1,339,877	\$ -
Deferred Amounts Related to OPEB	29,666	-
Deferred Gain on Refunding	527,356	-
Total Deferred Inflows of Resources	\$ 1,896,899	\$ -
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 18,826,770	\$ -
Restricted:		
Temporarily Restricted for Scholarships	-	1,748,519
Restricted - Nonexpendable	-	1,731,052
Restricted - Expendable	133,249	-
Unrestricted	(23,207,859)	1,706,951
Total Net Position	\$ (4,247,840)	\$ 5,186,522

See accompanying Notes to Financial Statements

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2019**

	Primary Government	Component Unit
<b>OPERATING REVENUES</b>		
Student Tuition and Fees, Net of Scholarship Allowances	\$ 3,510,954	\$ -
Federal Grants and Contracts	5,194,055	-
State and Local Government Grants and Contracts	1,868,829	-
Nongovernment Grants, Contracts, and Special Fees	810,698	-
Auxiliary Enterprises, Including Tuition and Fees:		
Food Services	1,197,483	-
Bookstore, Net of Scholarship Allowances	383,876	-
Student Housing, Net of Scholarship Allowances	1,579,230	-
Newmark Center	73,048	-
Conferences	98,211	-
Culinary Arts, Net of Scholarship Allowances	600,909	-
Other Auxiliary Enterprises	24,000	-
Donations	585,627	1,036,502
Other Operating Revenues	736,660	41,095
Total Operating Revenues	16,663,580	1,077,597
<b>OPERATING EXPENSES</b>		
Education and General:		
Instruction	6,924,126	-
Instructional Support	1,590,262	-
College Support	5,930,938	-
Other Support Services:		
Student Services	4,355,921	-
Plant Maintenance	1,216,275	-
Community Services	2,416,872	-
Student Financial Aid	4,509,183	-
Auxiliary Enterprises:		
Food Services	1,095,841	-
Bookstore	366,408	-
Student Housing	490,995	-
Newmark Center	181,371	-
Conferences	79,526	-
Culinary Arts	620,592	-
Other Auxiliary Enterprises	1,984	-
Depreciation Expense	1,636,119	-
OPEB/PERS Expenses	1,627,193	-
Foundation Operating Expenses	-	897,113
Total Operating Expenses	33,043,606	897,113
<b>OPERATING INCOME (LOSS)</b>	<b>(16,380,026)</b>	<b>180,484</b>

See accompanying Notes to Financial Statements

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	Primary Government	Component Unit
<b>NONOPERATING REVENUES</b>		
State Community College Support	\$ 7,651,895	\$ -
Other State Sources	2,461,209	-
Property Taxes	5,967,746	-
Pell Grants	2,775,727	-
Loss on Disposal of Assets	(9,555)	-
Interest and Net Investment Income	386,182	235,444
Interest Expense	(1,259,323)	-
Bond Issuance Costs	(588,450)	-
Other Nonoperating Expenses	(296,620)	-
QALICB Contributions	(8,049,600)	-
Total Nonoperating Revenues	9,039,211	235,444
<b>CHANGES IN NET POSITION</b>	(7,340,815)	415,928
Net Position - Beginning of Year	3,092,975	4,770,594
<b>NET POSITION - END OF YEAR</b>	\$ (4,247,840)	\$ 5,186,522

See accompanying Notes to Financial Statements

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 3,565,194
Grants and Contracts	5,804,443
Payments to Suppliers for Goods and Services	(3,178,244)
Payments to Employees	(17,362,966)
Paid to Students	(4,509,183)
Donations	585,627
Other Operating Revenues	644,335
Auxiliary Enterprises	1,116,513
Net Cash Used by Operating Activities	(13,334,281)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Local Property Taxes	8,448,784
State Community College Support	7,651,895
Nonoperating Grants	2,775,727
Other Local Expense	(296,620)
Net Cash Provided by Noncapital Financing Activities	18,579,786

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

Purchase of Capital Assets	(4,010,855)
QALICB Contributions	(8,049,600)
Loan/Note Proceeds	30,934,436
Bond Issuance Costs	(588,450)
Loan Principal Paid	(2,143,230)
Loan Interest Paid	(1,124,096)
Net Cash Provided by Capital and Related Financing Activities	15,018,205

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments	386,182
-------------------------	---------

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

20,649,892

Cash and Cash Equivalents - Beginning of Year (Including Restricted Cash of \$6,542)

8,357,258

**CASH AND CASH EQUIVALENTS - END OF YEAR  
(Including Restricted Cash of \$17,261)**

\$ 29,007,150

**RECONCILIATION TO AMOUNTS SHOWN ON STATEMENT OF NET POSITION**

Unrestricted Cash and Cash Equivalents	\$ 4,263,789
Restricted Cash and Cash Equivalents	24,743,361
Total Cash and Cash Equivalents	\$ 29,007,150

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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

Operating Loss	\$ (16,380,026)
Adjustments to Reconcile Net Income to Net Cash Used by Operating Activities:	
Depreciation and Amortization	1,446,818
Changes in Assets, Liabilities and Deferred Outflows and Inflows of Resources:	
Accounts Receivables	(1,936,067)
Prepaid Expenses	(27,932)
Inventories	44,256
Accounts Payable	1,466,720
Accrued Payroll and Payroll Liabilities	169,148
Unearned Revenues	4,000
Other Current Liabilities	132,195
Net Pension Liability	1,815,902
Deferred Outflows - Pension Related	(927,473)
Deferred Inflows - Pension Related	778,492
Other Post Employment Benefits Liability	240,836
Deferred Outflows - OPEB Related	(170,140)
Deferred Inflows - OPEB Related	8,990
Net Cash Used by Operating Activities	<u>\$ (13,334,281)</u>

See accompanying Notes to Financial Statements

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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**

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

As defined by 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, 2019. 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, 2019**

**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**

Current restricted cash for the College consists of funds for other grant projects and student clubs and organizations \$175,862. Current restricted cash for the College also includes \$17,108,249 in contributions and note proceeds which are externally restricted by agreements 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, 2019, 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, 2019**

**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 bookstore 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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accrued Wages and Payroll Costs**

Contracts for faculty begin in September and end in mid-June. All other employee agreements begin July 1 for the ensuing fiscal year and end June 30. All salaries are paid over 12 months. The salary amounts due for payment in July and August are included in accrued liabilities. Benefit payments for July and August are not accrued but rather expensed as paid. The accrued wages at June 30, 2019 were \$533,525.

**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 and was \$539,375 at June 30, 2019. The total accumulated sick liability is included as both long-term and current liabilities totals \$440,836 at June 30, 2019.

**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, 2019 for the College's 2019-2020 summer and fall terms are recorded as unearned revenue. Unearned revenue from tuition and fees was \$136,889 at June 30, 2019.

**Retirement Plans**

The College contributes to the Oregon State Public Employees Retirement System (PERS). The expense and liability for contributions to OPERS 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.

**Other Postemployment Benefits Obligation (OPEB)**

The College reports their proportionate share of the net PERS RHIA OPEB asset and the total 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, 2019**

**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, Federal Family Education Loans, and TRIO Programs.

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

**Classification of Revenues**

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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 bookstore operations and depreciation. All other revenues, including state educational support, and expenses not meeting this definition are reported as nonoperating revenues and 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.

**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.

**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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**Budgetary Information (Continued)**

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, 2019 were comprised of the following:

	Total Primary Government	Component Unit
Cash and Cash Equivalents:		
Cash on Hand	\$ 4,700	\$ -
Deposits	15,806,596	185,667
Investments	13,195,854	4,671,294
Total	\$ 29,007,150	\$ 4,856,961

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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**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, 2019 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, 2019, the College cash and cash equivalents on deposit at State Treasury were \$13,195,854. At June 30, 2019, the fair value of College deposits with LGIP approximates cost.

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

**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, 2019, they were within the required limits.

**Foreign Currency Risk**

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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**Fair Value of Financial Instruments**

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

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

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

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

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

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

At June 30, 2019, all of the OSTF investments were considered Level 2 investments.

**Foundation Investments**

The Foundation's investments are all considered Level 1 investments and are recorded at fair value. Foundation investments consisted of the following at June 30, 2019:

Corporate Stocks	\$ 2,520,519
Exchange-Traded, Closed-Ended Funds	1,050,313
Mutual Fund	232,546
Fixed-Income Funds	483,750
Subtotal	<u>4,287,128</u>
Cash Equivalents	384,166
Total Investments	<u><u>\$ 4,671,294</u></u>

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at June 30, 2019.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 RECEIVABLES**

Receivables at the end of the year are as follows:

Current:

Accounts Receivable	\$ 3,487,747
Governmental Receivables	<u>558,875</u>
Total	<u>\$ 4,046,622</u>

Intergovernmental receivables are considered to be fully collectible. Accounts receivable includes student receivables of \$3,801,308, which are net of an allowance for uncollectible accounts for tuition and fees of \$2,238,820. The remaining accounts receivable was intergovernmental.

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 2018- 2019, the College imposed a tax rate of \$0.7017 per \$1,000 of assessed value. This resulted in a net levy of \$6,131,819 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, 2019**

**NOTE 5 CAPITAL ASSETS**

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 1,018,939	\$ -	\$ (183,939)	\$ 835,000
Construction in Progress	2,360,997	3,674,677	(669,640)	5,366,034
Art Works Collection	145,000	-	-	145,000
Total Capital Assets Not Being Depreciated	3,524,936	3,674,677	(853,579)	6,346,034
Capital Assets Being Depreciated:				
Buildings	52,868,360	1,110,810	(149,170)	53,830,000
Equipment and Vehicles	8,995,158	161,551	(28,597)	9,128,112
Total Capital Assets Being Depreciated	61,863,518	1,272,361	(177,767)	62,958,112
Less Accumulated Depreciation for:				
Buildings	(20,730,363)	(1,244,074)	66,566	(21,907,871)
Equipment and Vehicles	(6,657,550)	(391,947)	19,042	(7,030,455)
Total Accumulated Depreciation	(27,387,913)	(1,636,021)	85,608	(28,938,326)
 Total Capital Assets Being Depreciated, Net	 34,475,605	 (363,660)	 (92,159)	 34,019,786
 Total Capital Assets, Net	 <u>\$ 38,000,541</u>	 <u>\$ 3,311,017</u>	 <u>\$ (945,738)</u>	 <u>\$ 40,365,820</u>

**NOTE 6 LONG-TERM DEBT**

**Limited Tax Bonds**

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%.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**Limited Tax Bonds (Continued)**

**Pension Bonds (Continued)** – 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, 2019:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 725,000	\$ 547,321	\$ 1,272,321
2021	825,000	507,881	1,332,881
2022	935,000	463,001	1,398,001
2023	1,060,000	412,137	1,472,137
2024	1,190,000	354,473	1,544,473
2025-2027	4,455,000	637,056	5,092,056
2028	765,000	42,305	807,305
Total	<u>\$ 9,955,000</u>	<u>\$ 2,964,174</u>	<u>\$ 12,919,174</u>

**Other Limited Tax Obligations** – 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. These bonds have interest rates of 3.00% - 4.00%.

The future debt maturity requirements are as follows at June 30, 2019:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 245,000	\$ 265,536	\$ 510,536
2021	570,000	281,450	851,450
2022	230,000	264,350	494,350
2023	240,000	257,450	497,450
2024	255,000	250,250	505,250
2025-2029	1,920,000	1,064,650	2,984,650
2030-2034	1,910,000	655,450	2,565,450
2035-2039	2,070,000	274,450	2,344,450
2040-2044	90,000	20,250	110,250
Total	<u>\$ 7,530,000</u>	<u>\$ 3,333,836</u>	<u>\$ 10,863,836</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**Limited Tax Bonds (Continued)**

**Other Limited Tax Obligations (Continued)** – On November 19, 2018, the College issued \$9,445,000 Full Faith and Credit Obligations Series 2018 for the purpose of financing the construction of the Health & Science Building. These bonds have interest rates of 4.00% - 4.50%.

The future debt maturity requirements are as follows at June 30, 2019:

<u>Fiscal Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 542,181	\$ 542,181
2021	-	403,275	403,275
2022	-	403,275	403,275
2023	-	403,275	403,275
2024	-	403,275	403,275
2025-2029	-	2,016,375	2,016,375
2030-2034	2,245,000	1,895,576	4,140,576
2035-2039	3,655,000	1,282,775	4,937,775
2040-2043	3,545,000	407,475	3,952,475
Total	<u>\$ 9,445,000</u>	<u>\$ 7,757,482</u>	<u>\$ 17,202,482</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.

The future debt maturity requirements are as follows at June 30, 2019:

<u>Fiscal Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 346,400	\$ 346,400
2021	-	346,400	346,400
2022	-	346,400	346,400
2023	-	346,400	346,400
2024	-	346,400	346,400
2025-2031	8,660,000	1,703,000	10,363,000
Total	<u>\$ 8,660,000</u>	<u>\$ 3,435,000</u>	<u>\$ 12,095,000</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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**Limited Tax Bonds (Continued)**

**Other Limited Tax Obligations (Continued)** – The future debt maturity requirements are as follows at June 30, 2019:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 775,000	\$ 274,600	\$ 1,049,600
2021	805,000	243,600	1,048,600
2022	840,000	211,400	1,051,400
2023	1,105,000	177,800	1,282,800
2024	1,155,000	133,600	1,288,600
2025-2026	2,185,000	127,000	2,312,000
Total	<u>\$ 6,865,000</u>	<u>\$ 1,168,000</u>	<u>\$ 8,033,000</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 eleven 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, 2019:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 380,000	\$ 5,430	\$ 385,430
2021	390,000	45,750	435,750
2022	395,000	34,050	429,050
2023	180,000	22,200	202,200
2024	180,000	15,000	195,000
2025	195,000	7,800	202,800
Total	<u>\$ 1,720,000</u>	<u>\$ 130,230</u>	<u>\$ 1,850,230</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**Notes Payable**

On November 1, 2007, the College borrowed \$300,000 from the Southwestern Oregon Community College Foundation, its discretely presented component unit, for the purpose of acquiring vacant real property. Total cost of the property was \$495,000, including all fees. This 4% annual interest loan was to be repaid at a rate of \$100,000 per year, plus accrued interest, over the next three fiscal periods, beginning November 1, 2008. The note was not discounted due to immaterial results. The payment due November 1, 2008 was made November 1, 2009. In April 2010, the Foundation agreed to delay the payment due November 1, 2010 indefinitely, and this note was therefore classified as noncurrent on the statement of net position. On May 1, 2013, the Foundation agreed to delay all payments until November 1, 2015, at which time all amounts owing would be due. The interest rate was reduced from 4% to 3.25%. In June 2015, the Foundation renegotiated the loan. In lieu of paying debt service on the note, the College will increase its support of the salary and benefits of the Foundation director position by approximately \$4,200 per month, and the note will be reduced by \$4,200 per month, beginning July 1, 2015 and until the note, plus accrued interest, has been paid in full. The balance of unpaid principal and accrued interest was \$48,323 at June 30, 2019. Principal and interest payments of \$55,216 and \$1,368 were made respectively during the fiscal year ended June 30, 2019.

The future debt maturity requirements are as follows at June 30, 2019:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 48,271	\$ 52	\$ 48,323
Total	<u>\$ 48,271</u>	<u>\$ 52</u>	<u>\$ 48,323</u>

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, 2019:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 104,632	\$ 104,632
2021	-	102,916	102,916
2022	-	102,916	102,916
2023	-	102,916	102,916
2024	-	102,916	102,916
2025-2029	769,203	498,887	1,268,090
2030-2034	1,361,109	409,332	1,770,441
2035-2039	1,466,611	303,831	1,770,442
2040-2044	1,580,291	190,146	1,770,437
2045-2049	1,702,786	67,671	1,770,457
Total	<u>\$ 6,880,000</u>	<u>\$ 1,986,163</u>	<u>\$ 8,866,163</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**Notes Payable (Continued)**

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, 2019:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 41,366	\$ 41,366
2021	-	40,688	40,688
2022	-	40,688	40,688
2023	-	40,688	40,688
2024	-	40,688	40,688
2025-2029	304,103	197,242	501,345
2030-2034	538,112	161,829	699,941
2035-2039	579,823	120,123	699,946
2040-2044	624,766	75,177	699,943
2045-2049	673,196	26,738	699,934
Total	<u>\$ 2,720,000</u>	<u>\$ 785,227</u>	<u>\$ 3,505,227</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%.

The future debt maturity requirements are as follows at June 30, 2019:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 17,788	\$ 17,788
2021	-	17,496	17,496
2022	-	17,496	17,496
2023	-	17,496	17,496
2024	-	17,496	17,496
2025-2029	130,764	84,810	215,574
2030-2034	231,389	69,582	300,971
2035-2039	249,324	51,654	300,978
2040-2044	268,648	32,316	300,964
2045-2049	289,475	11,514	300,989
Total	<u>\$ 1,169,600</u>	<u>\$ 337,648</u>	<u>\$ 1,507,248</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%.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

The future debt maturity requirements are as follows at June 30, 2019:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 8,068	\$ 8,068
2021	-	7,936	7,936
2022	-	7,936	7,936
2023	-	7,936	7,936
2024	-	7,936	7,936
2025-2029	59,301	38,457	97,758
2030-2034	104,933	31,557	136,490
2035-2039	113,064	23,418	136,482
2040-2044	121,828	14,661	136,489
2045-2049	131,274	5,214	136,488
Total	<u>\$ 530,400</u>	<u>\$ 153,119</u>	<u>\$ 683,519</u>

**Short-Term Borrowings**

*Craft3 Note* - On June 20, 2019, the College entered into a short-term borrowing program for an advance of \$1,185,876 of principal, with the principal amount outstanding at any time not to exceed \$2,500,000. The Craft3 advance was to assist in the down payment for the New Market Tax Credit. Interest on the note is payable monthly at 7.5%. The current obligation matures on June 30, 2019.

Activity for the fiscal year is as follows:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Short-Term Borrowing	\$ -	\$ 1,185,876	\$ -	\$ 1,185,876	\$ 1,185,876

**NOTE 7 LEASES – PRIMARY GOVERNMENT**

**Capital Leases**

On May 1, 2018, the College entered into a capital lease arrangement to acquire athletic and fitness equipment for the student recreation center in the amount of \$39,434. The net capitalized cost and accumulated depreciation of the equipment was \$47,712 and \$9,353, respectively, as of June 30, 2019. Payments are due monthly in the amount of \$1,515. The interest rate is 9.79%.

The present value of future net minimum lease payments at June 30, 2019 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 15,995	\$ 2,185	\$ 18,180
2021	13,085	551	13,636
Total	<u>\$ 29,080</u>	<u>\$ 2,736</u>	<u>\$ 31,816</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 LEASES – PRIMARY GOVERNMENT (CONTINUED)**

**Capital Leases (Continued)**

On April 27, 2016, the College entered into a capital lease agreement with the Ford Motor Company to acquire two 2016 15 Passenger Van in the amount of \$39,100. One van was disposed of in 2018. The net capitalized cost and accumulated depreciation of the vans was \$39,100 and \$15,640, respectively, as of June 30, 2019. Payments are due semi-annually in the amount of \$10,772. The interest rate is 5.75%.

The present value of future net minimum lease payments for the two vans combined at June 30, 2019 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	<u>\$ 5,235</u>	<u>\$ 151</u>	<u>\$ 5,386</u>

On March 11, 2016, the College entered into a capital lease agreement with De Lage Landen Public Finance LLC to acquire servers, other computer equipment, and maintenance in the amount of \$231,250. The net capitalized cost and accumulated depreciation of the capitalized equipment was \$231,250 and \$101,109, respectively, as of June 30, 2019. Payments are due annually in the amount of \$95,000. The interest rate is 4.43%.

The present value of future net minimum lease payments for the equipment at June 30, 2019 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	<u>\$ 56,976</u>	<u>\$ 2,523</u>	<u>\$ 59,499</u>

On January 6, 2017, the College entered into a capital lease agreement with Key Government Finance, Inc. to purchase a 52-passenger bus in the amount of \$160,000. The net capitalized cost and accumulated depreciation of the capitalized equipment was \$160,000 and \$48,000, respectively, as of June 30, 2019. Payments are due monthly in the amount of \$3,626. The interest rate is 2.95%.

The present value of future net minimum lease payments for the equipment at June 30, 2019 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 41,518	\$ 1,997	\$ 43,515
2021	<u>25,034</u>	<u>351</u>	<u>25,385</u>
Total	<u>\$ 66,552</u>	<u>\$ 2,348</u>	<u>\$ 68,900</u>

On March 9, 2017, the College entered into a capital lease agreement with the Ford Motor Company to acquire two 2017 15 Passenger Vans in the amount of \$81,500, or \$40,750 each. One van was disposed of in 2018. The net capitalized cost and accumulated depreciation of the remaining van was \$39,022 and \$12,025, respectively, as of June 30, 2019. Payments are due semi-annually in the amount of \$10,698 each. The interest rate is 5.45%.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 LEASES – PRIMARY GOVERNMENT (CONTINUED)**

The present value of future net minimum lease payments for the two vans combined at June 30, 2019 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 10,003	\$ 695	\$ 10,698
2021	5,207	142	5,349
Total	<u>\$ 15,210</u>	<u>\$ 837</u>	<u>\$ 16,047</u>

On May 1, 2018, the College entered into a capital lease agreement with the Ford Motor Company to acquire one 2018 15 Passenger Vans in the amount for \$40,320. The net capitalized cost and accumulated depreciation of the van was \$40,320 and \$7,955, respectively, as of June 30, 2019. Payments are due semi-annually in the amount of \$11,326 each. The interest rate is 6.95%.

The present value of future net minimum lease payments for the van at June 30, 2019 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 9,713	\$ 1,612	\$ 11,325
2021	10,400	926	11,326
2022	5,473	190	5,663
Total	<u>\$ 25,586</u>	<u>\$ 2,728</u>	<u>\$ 28,314</u>

On October 20, 2017, the College entered into a capital lease agreement with the Ford Motor Company to acquire one 2018 15 Passenger Vans in the amount for \$40,320. The net capitalized cost and accumulated depreciation of the van was \$40,320 and \$7,955, respectively, as of June 30, 2019. Payments are due semi-annually in the amount of \$11,144 each. The interest rate is 5.95%.

The present value of future net minimum lease payments for the van at June 30, 2019 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 10,058	\$ 1,086	\$ 11,144
2021	10,666	478	11,144
Total	<u>\$ 20,724</u>	<u>\$ 1,564</u>	<u>\$ 22,288</u>

On June 4, 2018, the College entered into a capital lease agreement with Raymond Leasing to acquire three Utility carts in the amount for \$40,147. The net capitalized cost and accumulated depreciation of the carts was \$40,147 and \$8,029, respectively, as of June 30, 2019. Payments are due monthly in the amount of \$804. The interest rate is 7.5%.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 LEASES – PRIMARY GOVERNMENT (CONTINUED)**

The present value of future net minimum lease payments for the equipment at June 30, 2019 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 7,456	\$ 2,198	\$ 9,653
2021	8,031	1,619	9,650
2022	8,658	995	9,653
2023	6,922	323	7,245
Total	<u>\$ 31,067</u>	<u>\$ 5,135</u>	<u>\$ 36,202</u>

**NOTE 8 OPERATING LEASES (COLLEGE AS LESSOR)**

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) to a state of Oregon agency and four other organizations.

During the fiscal year ended June 30, 2019, total rental income of \$85,048 was recognized by the College, as lessor, under this arrangement. 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. In March 2018 the state agency terminated there agreement with the college. Expected rents for the next year from the other organizations are \$52,164.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 9 CHANGES IN LONG-TERM LIABILITIES**

During the fiscal year ended June 30, 2019, the following changes occurred in the amounts reported in long-term liabilities:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Full Faith and Credit Obligations					
Refunding 2013:					
Student Housing	\$ 1,259,056	\$ -	\$ 337,500	\$ 921,556	\$ 205,200
Culinary Institute	274,874	-	75,000	199,874	45,600
Student Recreation Center	491,230	-	125,000	366,230	76,000
Performing Arts Center	319,840	-	87,500	232,340	53,200
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	2,059,843	-	138,536	1,921,307	216,899
Culinary Institute	1,823,219	-	122,621	1,700,598	191,983
Performing Arts Center	84,935	-	5,712	79,223	8,944
Student Recreation Center	3,171,939	-	213,330	2,958,609	334,002
Dryvit	220,064	-	14,801	205,263	23,173
Series 2018 - Energy Savings	-	9,445,000	-	9,445,000	-
Series 2019					
Energy Savings	-	1,185,000	-	1,185,000	5,000
Health & Science Building	-	4,530,000	-	4,530,000	170,000
Deferred Maintenance	-	1,815,000	-	1,815,000	70,000
Pension Bond (PERS)	10,585,000	-	630,000	9,955,000	725,000
Craft 3 Bridge Loan	-	1,185,876	-	1,185,876	-
Loan Payable - Foundation	103,487	-	55,216	48,271	48,271
Capital Leases:					
Four 15-Passenger Vans	104,831	-	38,074	66,757	35,010
Title III Computer Equipment	145,053	-	88,077	56,976	56,976
Cisco Network Equipment	31,638	-	31,638	-	-
3 Maintenance Carts	37,985	-	6,919	31,066	7,456
Recreation Center Equipment	43,560	-	14,480	29,080	15,995
52-Passenger Bus	106,369	-	39,817	66,552	41,518
SWOCC QALICB:					
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	29,522,923	29,460,876	2,024,221	56,959,578	2,330,227
Unamortized Discounts and Premiums	1,153,659	1,473,561	142,886	2,484,334	-
Total	<u>\$ 30,676,582</u>	<u>\$ 30,934,437</u>	<u>\$ 2,167,107</u>	<u>\$ 59,443,912</u>	<u>\$ 2,330,227</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 CHANGES IN LONG-TERM LIABILITIES (CONTINUED)**

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Compensated Absences	\$ 525,253	\$ 38,314	\$ 24,192	\$ 539,375	\$ -
Sick Leave Payable (Stipend)	401,853	38,983	-	440,836	207,193
PERS pre-SLGRP Pooled Liability	1,534,643	-	119,413	1,415,230	-
Total	<u>\$ 2,461,749</u>	<u>\$ 77,297</u>	<u>\$ 143,605</u>	<u>\$ 2,395,441</u>	<u>\$ 207,193</u>

**NOTE 10 RESTRICTED NET POSITION**

**Southwestern Oregon Community College Foundation**

Restricted net position – expendable of \$1.7 million and restricted net position – unexpendable of \$1.7 million in the Foundation are primarily for scholarships, program support, and the Health & Science Technology building.

**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. In the opinion of the College management, after consultation with legal counsel, potential loss on these claims will not materially affect the College’s financial position.

**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. Worker's 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, 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, 2019**

**NOTE 14 RELATED PARTY**

A College Board of Education Member is a principal in the insurance agency that is the College's Insurance Agent of Record. However, the member declares a potential conflict of interest and abstains from College decision-making involvement in that regard. For the fiscal year ended June 30, 2019, amounts paid directly to the Insurance Agency totaled \$19,248, and payments to other carriers for various insurance premiums, coverages, and commissions totaled \$248,092. No amounts were owed as of June 30, 2019.

**NOTE 15 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	\$ 2,652,133
Bookstore Charges	255,367
Student Housing Charges	1,527,273
Culinary Arts Tuition and Fees	<u>577,022</u>
Total	<u><u>\$ 5,011,795</u></u>

**NOTE 16 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 Comprehensive Annual Financial Report.

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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Public Employee Retirement System (PERS) (Continued)**

Copies of the Oregon Public Employees Retirement System's Comprehensive Annual Financial Report and Actuarial Valuations may be obtained from the Oregon PERS website at: <http://www.oregon.gov/pers/Pages/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 Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*.

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. On July 28, 2017, the PERS board adopted a 7.20% assumed rate. The rule specifies that the adopted assumed rate will be effective for PERS transactions with an effective date of January 1, 2018.

**Pension Plan Liability**

The components of the Plan's collective net pension liability as of the measurement date of June 30, 2019 are as follows (dollars in millions):

Total Pension Liability	\$ 84,476
Plan Fiduciary Net Position	<u>69,328</u>
Employers' Net Pension Liability	<u><u>\$ 15,148</u></u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Plan Benefits**

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

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

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

**Pension Benefits**

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

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

**Disability Benefits**

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a 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.

**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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**OPSRP Pension Program (OPSRP DB) (Continued)**

**Pension Benefits (Continued)**

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

**Death Benefits**

Upon the death of a 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.

**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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**OPSRP Pension Program (OPSRP IAP) (Continued)**

**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.

Employer contribution rates for the fiscal year ended June 30, 2019 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, 2019 is 18.67% for PERS Tier One/Two and 10.75% for OPSRP.

Employer contributions for the year ended June 30, 2019 were \$687,923, 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, 2019 was \$2,351,527. At June 30, 2019, 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	\$ 428,260	\$ -
Changes in Assumptions	2,927,056	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	559,049
Changes in Proportionate Share	554,863	-
Differences Between Employer Contributions and Proportionate Share of System Contributions	-	780,828
Total (Prior to Post Measurement Date Contributions)	<u>3,910,179</u>	<u>1,339,877</u>
Contributions Subsequent to the Measurement Date	687,923	-
Total	<u>\$ 4,598,102</u>	<u>\$ 1,339,877</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

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

Of the amount reported as deferred outflows of resources, \$687,923 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, 2020. 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>
2020	\$ 1,490,528
2021	1,057,176
2022	(166,502)
2023	121,224
2024	67,876
Total	<u>\$ 2,570,302</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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Actuarial Methods and Assumptions (Continued)**

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

**Actuarial Methods**

As of:	June 30, 2019
Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study Report	2016 published July 2017
Actuarial Cost Method	Entry Age Normal

**Actuarial Assumptions**

Inflation Rate	2.50%
Long-Term Expected Rate of Return	7.20%
Discount Rate	7.20%
Projected Salary Increases	3.50%
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>
RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation
<i>Active members:</i>
RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation
<i>Disabled retirees:</i>
RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

(Source: June 30, 2018 PERS CAFR; p. 69)

**Discount Rate**

The discount rate used to measure the total pension liability was 7.20% 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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Net Pension Liability**

At June 30, 2019, the College reported a liability of \$12,589,590 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The College's proportion of the net pension liability was based on the College's contributions received by PERS during the measurement period, relative to the total employer contributions received from all of PERS participating employers. At June 30, 2019, the College's proportionate share was .083107% which was an increase of .003184% 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, 2019, 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

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, 2018 - 5.2 years
- Measurement period ended June 30, 2017 - 5.3 years
- Measurement period ended June 30, 2016 - 5.3 years
- Measurement period ended June 30, 2015 - 5.4 years
- Measurement period ended June 30, 2014 - 5.6 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 2019.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Depletion Date Projection**

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.
- 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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Assumed Asset Allocation**

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

(Source: June 30, 2018 PERS CAFR; p. 98)

**Long-Term Expected Rate of Return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 16 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

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

<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return</u>
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds Diversified	2.50%	4.09%
Hedge Fund - Event driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Assumed Inflation - Mean		2.50%

(Source: June 30, 2018 PERS CAFR; p. 72)

**Sensitivity Analysis**

	<u>1% Decrease (6.20%)</u>	<u>Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 21,039,574</u>	<u>\$ 12,589,590</u>	<u>\$ 5,614,781</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 7.20% 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 74 of the PERS June 30, 2018 CAFR.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 16 EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

**Transition Liability**

The College reports a separate liability to the plan with a balance of \$1,415,230 at June 30, 2019. 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.

**NOTE 17 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 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 Comprehensive Annual 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: [www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx](http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx).

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 17 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Public Employees Retirement Plan (PERS) (Continued)**

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.

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 PERS Net OPEB (Asset)/Liability for the OPEB plan as of the measurement date of June 30, 2018 is as follows:

<u>Net OPEB - RHIA (Asset)</u>	
Total OPEB - RHIA Liability	\$ 465,234,714
Plan Fiduciary Net Position	<u>576,861,848</u>
Plan Net OPEB - RHIA (Asset)	<u><u>\$(111,627,134)</u></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. On July 28, 2017, the PERS board adopted a 7.20% assumed rate. The rule specifies that the adopted assumed rate will be effective for PERS transactions with an effective date of January 1, 2018.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 17 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Public Employees Retirement Plan (PERS) (Continued)**

Contributions

The OPEB plan administered by PERS is funded through actuarially determined employer contributions. For the fiscal year ended June 30, 2019, the College contributes 0.07% of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. In addition, the College contributes 0.43% of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contribution was approximately \$74 for the year ended June 30, 2019. The actual contribution equaled the annual required contribution for the fiscal year.

Net OPEB Asset/Liability

At June 30, 2019, the College reported an asset of \$106,199 for its proportionate share of the RHIA net OPEB asset. The net OPEB asset as of June 30, 2019 was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. 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, 2019 the College's proportionate share was .095138% which was a decrease of .008444% from its last measurement.

For the year ended June 30, 2019, the College recorded total OPEB expense of \$9,637 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, 2019, deferred items include:

- No difference between expected and actual experience
- No difference due to changes in assumptions
- Changes in employer proportion since the prior measurement date
- 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 ended June 30, 2018 is 3.3 years.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 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 2019.

At June 30, 2019, 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	\$ -	\$ 6,019
Changes in Assumptions	-	337
Net Difference Between Projected and Actual		
Earnings on Investments	-	22,896
Changes in Proportionate Share	<u>1,319</u>	<u>413</u>
Total (Prior to Post Measurement Date Contributions)	1,319	29,665
Contributions Subsequent to the Measurement Date	<u>47,269</u>	<u>-</u>
Total	<u>\$ 48,588</u>	<u>\$ 29,665</u>

Of the amount reported as deferred outflows of resources, \$47,269 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, 2020.

As of June 30, 2019, 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>
2020	\$ (9,306)
2021	(9,233)
2022	(7,530)
2023	<u>(2,276)</u>
Total	<u>\$ (28,345)</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, 2019**

**NOTE 17 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, 2019
Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study Report	2016 published July 2017
Actuarial Cost Method	Entry Age Normal

**Actuarial Assumptions**

Inflation Rate	2.50%
Long-Term Expected Rate of Return	7.20%
Discount Rate	7.20%
Projected Salary Increases	3.50%
Retiree Healthcare Participation	Healthy retirees: 38%, Disabled retirees: 20%
Healthcare Cost Trend Rate	Not applicable

**Mortality**

	<i>Healthy retirees and beneficiaries:</i>
	RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.
	<i>Active members:</i>
	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
	<i>Disabled retirees:</i>
	Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality table.

Discount Rate

The discount rate used to measure the total OPEB liability/(asset) was 7.20%. 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, 2019**

**NOTE 17 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 7.20%, 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:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Proportionate Share of the Net OPEB - RHIA Liability (Asset)	<u>\$ (61,839)</u>	<u>\$ (106,199)</u>	<u>\$ (143,943)</u>

The sensitivity analysis below shows the sensitivity of the College's proportionate share of the net OPEB liability/(asset) calculated using the current healthcare cost trend rates, as well as what the net OPEB liability/(asset) 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 Rate</u>	<u>1% Increase</u>
Proportionate Share of the Net OPEB - RHIA Liability (Asset) Using Current Healthcare Cost Trend Rates	<u>\$ (106,174)</u>	<u>\$ (106,199)</u>	<u>\$ (106,174)</u>

Assumed Asset Allocation

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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 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 July 2015 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:

[www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.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>
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds Diversified	2.50%	4.09%
Hedge Fund - Event driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Assumed Inflation - Mean		2.50%

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 17 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Public Employees Retirement Plan (PERS) (Continued)**

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.

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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**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).

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 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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Early Retirement Plan (Continued)**

**OPEB Funding Policy (Continued)**

**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.

**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.

<u>Contribution</u>
\$250/Month
\$300/Month
\$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.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Early Retirement Plan (Continued)**

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.

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
<b>Changes in Total OPEB Liability</b>	
Balance as of June 30, 2018	\$ 2,522,710
Changes for the Year:	
Service Cost	96,129
Interest on Total OPEB Liability	84,708
Effect of Changes to Benefit Terms	-
Effect of Economic/Demographic Gain or Loss	45,717
Effect of Assumptions Changes or Inputs	282,214
Benefit Payments	(204,962)
Net Changes	303,806
Balance as of June 30, 2019	\$ 2,826,516

For the year ended June 30, 2019 the College recognized postemployment healthcare benefits liability expense of \$212,069.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**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 2019.

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to the OEGB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 41,363	\$ -
Changes in Assumptions	255,336	-
Total (Prior to Post Measurement Date Contributions)	296,699	-
Contributions Subsequent to the Measurement Date	-	-
Total	\$ 296,699	\$ -

As of June 30, 2019, 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:

Year Ending June 30,	Amount
2020	\$ 31,232
2021	31,232
2022	31,232
2023	31,232
2024	31,232
Thereafter	140,539
Total	\$ 296,699

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Actuarial Methods and Assumptions**

The actuarial information is from a valuation dated June 30, 2019 rolled forward to June 30, 2020. 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 3.50%, (b) an assumed inflation rate of 2.5% for all future years, (c) 2.5% 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 3.50% discount rate is used to roll-forward the OPEB liabilities from the June 30, 2019 valuation date to the June 30, 2020 measurement date in accordance with GASB 75. The 3.50% discount rate is the June 29, 2019 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 3.50%, 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 (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
OPEB Liability	\$ 3,051,657	\$ 2,826,516	\$ 2,620,040

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:

	1% Decrease	Current Trend Rates	1% Increase
OPEB Liability Using Current Healthcare Cost Trend Rates	\$ 2,562,028	\$ 2,826,516	\$ 3,139,203

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 18 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.

Summary financial information for QALICB for the fiscal year ended June 30, 2019 follows:

<b>Condensed Statements of Net Position</b>	<u>2019</u>
Assets	
Current Assets	\$ 7,579,361
Capital Assets	<u>4,749,838</u>
Total Assets	<u>12,329,199</u>
Liabilities	
Current Liabilities	\$ 2,348
Noncurrent Liabilities	<u>11,300,000</u>
Total Liabilities	<u>11,302,348</u>
Net Position	
Restricted	<u>\$ 1,026,851</u>
 <b>Condensed Statements of Revenues, Expenses, and Changes in Net Position</b>	
Operating Revenues	\$ 4,749,838
Other Operating Expenses	<u>(3,720,639)</u>
Net Operating Revenue	<u>1,029,199</u>
Nonoperating Expenses	
Interest Expenses	<u>(2,348)</u>
Total Nonoperating Expenses	<u>(2,348)</u>
Change in Net Position	<u>1,026,851</u>
Total Net Position - Beginning of Year	<u>-</u>
Total Net Position - End of Year	<u>\$ 1,026,851</u>
 <b>Condensed Statements of Cash Flows</b>	
Net Cash Provided (Used) by:	
Operating Activities	\$ (3,720,639)
Capital and Related Financing Activities	<u>11,300,000</u>
Net Increase in Cash and Cash Equivalents	<u>7,579,361</u>
Cash and Cash Equivalents - Beginning of Year	<u>-</u>
Cash and Cash Equivalents - End of Year	<u>\$ 7,579,361</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
YEAR ENDED JUNE 30, 2019**

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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
SCHEDULE OF CONTRIBUTIONS OF NET PENSION LIABILITY  
YEAR ENDED JUNE 20, 2019**

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

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, 2019**

**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

**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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2019**

**Schedule of College's Total Early Retirement OPEB Liability\***

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 96,129	\$ 98,897
Interest	84,708	86,405
Changes in Assumptions - Discount Rate	-	-
Changes in Assumptions - Other	327,931	-
Contributions - Employer	-	-
Benefit Payments	(204,962)	(152,299)
Net Change in Total OPEB Liability	<u>303,806</u>	<u>33,003</u>
Total OPEB Liability - Beginning	<u>2,522,710</u>	<u>2,489,707</u>
Total OPEB Liability - Ending	<u>\$ 2,826,516</u>	<u>\$ 2,522,710</u>
Covered Employee Payroll	\$ 10,907,046	\$ 12,553,493
Total OPEB Liability as a Percentage of the Covered Employee Payroll	25.9%	20.1%

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, 2019**

**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, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Support	\$ 5,941,490	\$ 5,941,490	\$ 6,309,397	\$ 367,907
State Support	7,609,383	7,609,383	7,651,895	42,512
Federal Support	12,000	12,000	15,805	3,805
Tuition and Fees	6,408,955	6,408,955	5,898,394	(510,561)
Other	362,882	362,882	581,735	218,853
Total Revenues	<u>20,334,710</u>	<u>20,334,710</u>	<u>20,457,226</u>	<u>122,516</u>
<b>EXPENDITURES</b>				
Personnel Services	16,439,956	16,426,456	15,730,971	695,485
Materials and Services	4,246,068	4,224,568	3,564,685	659,883
Debt Service	4,235,000	4,235,000	4,700	4,230,300
Capital Outlay	100,775	135,775	123,947	11,828
Total Expenditures	<u>25,021,799</u>	<u>25,021,799</u>	<u>19,424,303</u>	<u>5,597,496</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(4,687,089)	(4,687,089)	1,032,923	5,720,012
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	942,290	942,290	442,744	(499,546)
Transfers Out	(2,064,607)	(2,064,607)	(1,767,749)	296,858
Issuance of Debt, Short-Term	4,200,000	4,200,000	-	(4,200,000)
Total Other Financing Sources (Uses)	<u>3,077,683</u>	<u>3,077,683</u>	<u>(1,325,005)</u>	<u>(4,402,688)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,609,406)	(1,609,406)	(292,082)	1,317,324
Fund Balance - Beginning of Year	<u>3,409,406</u>	<u>3,409,406</u>	<u>3,487,669</u>	<u>78,263</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 1,800,000</u></u>	<u><u>\$ 1,800,000</u></u>	<u><u>\$ 3,195,587</u></u>	<u><u>\$ 1,395,587</u></u>

**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, 2019**

**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.

*Insurance 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.

**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, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State Support	\$ 1,400,000	\$ 1,400,000	\$ 1,093,110	\$ (306,890)
Federal Support	8,394,000	8,394,000	5,855,922	(2,538,078)
Other	300,000	300,000	212,282	(87,718)
Total Revenues	10,094,000	10,094,000	7,161,314	(2,932,686)
<b>EXPENDITURES</b>				
Personnel Services	94,000	94,000	60,286	33,714
Materials and Services	10,000,000	10,000,000	7,101,028	2,898,972
Total Expenditures	10,094,000	10,094,000	7,161,314	2,932,686
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ -	\$ -

**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, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State Support	\$ 950,610	\$ 950,610	\$ 775,720	\$ (174,890)
Federal Support	2,755,238	2,755,238	2,098,054	(657,184)
Tuition and Fees	407,700	407,700	264,692	(143,008)
Other	1,332,655	1,332,655	1,190,466	(142,189)
Total Revenues	<u>5,446,203</u>	<u>5,446,203</u>	<u>4,328,932</u>	<u>(1,117,271)</u>
<b>EXPENDITURES</b>				
Personnel Services	3,627,534	3,627,534	2,801,661	825,873
Materials and Services	1,927,424	1,927,424	1,093,842	833,582
Capital Outlay	218,870	218,870	62,678	156,192
Total Expenditures	<u>5,773,828</u>	<u>5,773,828</u>	<u>3,958,181</u>	<u>1,815,647</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(327,625)	(327,625)	370,751	698,376
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	292,000	292,000	42,000	(250,000)
Transfers Out	(370,511)	(370,511)	(120,511)	250,000
Total Other Financing Sources (Uses)	<u>(78,511)</u>	<u>(78,511)</u>	<u>(78,511)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(406,136)	(406,136)	292,240	698,376
Fund Balance - Beginning of Year	<u>706,136</u>	<u>706,136</u>	<u>1,447,291</u>	<u>741,155</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 1,739,531</u>	<u>\$ 1,439,531</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
INSURANCE RESERVE FUND  
YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State Support	\$ -	\$ -	\$ -	\$ -
Other	25,000	25,000	34,395	9,395
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>34,395</u>	<u>9,395</u>
<b>EXPENDITURES</b>				
Personnel Services	15,000	15,000	-	15,000
Materials and Services	464,295	464,295	6,589	457,706
Capital Outlay	250,000	250,000	-	250,000
Total Expenditures	<u>729,295</u>	<u>729,295</u>	<u>6,589</u>	<u>722,706</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(704,295)	(704,295)	27,806	732,101
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>179,975</u>	<u>179,975</u>	<u>179,975</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(524,320)	(524,320)	207,781	732,101
Fund Balance - Beginning of Year	<u>524,320</u>	<u>524,320</u>	<u>659,509</u>	<u>135,189</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 867,290</u>	<u>\$ 867,290</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, 2019**

**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, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State Support	\$ -	\$ -	\$ 1,199,745	\$ 1,199,745
Federal Support	-	-	-	-
Other Income	1,211,593	1,211,593	17,551	(1,194,042)
Total Revenues	<u>1,211,593</u>	<u>1,211,593</u>	<u>1,217,296</u>	<u>5,703</u>
<b>EXPENDITURES</b>				
Debt Service	<u>2,394,711</u>	<u>2,394,711</u>	<u>2,397,900</u>	<u>(3,189)</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(1,183,118)	(1,183,118)	(1,180,604)	2,514
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>1,183,118</u>	<u>1,183,118</u>	<u>1,239,702</u>	<u>56,584</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	59,098	59,098
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>5,246</u>	<u>5,246</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,344</u>	<u>\$ 64,344</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, 2019**

**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, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State Support	\$ 7,289,815	\$ 7,289,815	\$ 2,462,430	\$ (4,827,385)
Federal Support	560,000	560,000	-	(560,000)
Other Income	916,014	916,014	595,393	(320,621)
Total Revenues	<u>8,765,829</u>	<u>8,765,829</u>	<u>3,057,823</u>	<u>(5,708,006)</u>
<b>EXPENDITURES</b>				
Personnel Services	5,000	5,000	-	5,000
Materials and Services	708,438	708,438	766,932	(58,494)
Debt Service	-	-	-	-
Capital Outlay	11,597,562	11,597,562	3,399,617	8,197,945
Total Expenditures	<u>12,311,000</u>	<u>12,311,000</u>	<u>4,166,549</u>	<u>8,144,451</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(3,545,171)	(3,545,171)	(1,108,726)	2,436,445
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	381,000	381,000	381,000	-
Transfers Out	(250,000)	(250,000)	-	250,000
Issuance of Debt, Long-Term	-	-	18,133,667	18,133,667
Total Other Financing Sources (Uses)	<u>131,000</u>	<u>131,000</u>	<u>18,514,667</u>	<u>18,383,667</u>
<b>NET CHANGE IN FUND BALANCE</b>	(3,414,171)	(3,414,171)	17,405,941	20,820,112
Fund Balance - Beginning of Year	<u>3,414,171</u>	<u>3,414,171</u>	<u>3,711,045</u>	<u>296,874</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,116,986</u>	<u>\$ 21,116,986</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, 2019**

**ENTERPRISE FUNDS**

**DESCRIPTION OF FUNDS**

*Enterprise* – This fund is used to account for and report the operations of the College's bookstore, 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, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Tuition and Fees	\$ 2,175,500	\$ 2,175,500	\$ 1,323,740	\$ (851,760)
Other	5,635,205	5,635,205	4,992,679	(642,526)
Total Operating Revenues	<u>7,810,705</u>	<u>7,810,705</u>	<u>6,316,419</u>	<u>(1,494,286)</u>
<b>OPERATING EXPENSES</b>				
Personnel Services	2,400,654	2,400,654	1,970,940	429,714
Materials and Services	4,338,323	4,338,323	3,382,169	956,154
Capital Outlay	52,321	52,321	-	52,321
Debt Service	946,903	946,903	944,268	2,635
Total Operating Expenses	<u>7,738,201</u>	<u>7,738,201</u>	<u>6,297,377</u>	<u>1,440,824</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	72,504	72,504	19,042	(53,462)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	20,600	20,600	20,600	-
Transfers Out	(333,104)	(333,104)	(333,104)	-
Total Other Financing Sources (Uses)	<u>(312,504)</u>	<u>(312,504)</u>	<u>(312,504)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(240,000)	(240,000)	(293,462)	(53,462)
Fund Balance - Beginning of Year	<u>1,230,000</u>	<u>1,230,000</u>	<u>(898,092)</u>	<u>(2,128,092)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 990,000</u>	<u>\$ 990,000</u>	<u>\$ (1,191,554)</u>	<u>\$ (2,181,554)</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, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 353,841	\$ 353,841	\$ 357,776	\$ 3,935
<b>OPERATING EXPENSES</b>				
Personnel Services	228,105	228,105	217,972	10,133
Materials and Services	332,225	332,225	242,851	89,374
Total Operating Expenses	560,330	560,330	460,823	99,507
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(206,489)	(206,489)	(103,047)	103,442
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	206,489	206,489	103,047	(103,442)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ -	\$ -

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
TRUST AND AGENCY FUND  
YEAR ENDED JUNE 30, 2019**

**TRUST AND AGENCY FUND**

The trust and agency fund is used to account for and report assets held by the College as an agent for individuals, private organizations, other governmental units, and/or other funds (e.g., student clubs and service organizations). 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)  
TRUST AND AGENCY FUND  
YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Tuition and Fees	\$ 35,000	\$ 35,000	\$ 453	\$ (34,547)
Other	190,000	190,000	191,624	1,624
Total Revenues	<u>225,000</u>	<u>225,000</u>	<u>192,077</u>	<u>(32,923)</u>
<b>OPERATING EXPENSES</b>				
Materials and Services	175,000	175,000	172,755	2,245
Capital Outlay	7,750	7,750	-	7,750
Total Operating Expenses	<u>182,750</u>	<u>182,750</u>	<u>172,755</u>	<u>9,995</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	42,250	42,250	19,322	(22,928)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,000	2,000	2,000	-
Transfers Out	<u>(189,250)</u>	<u>(189,250)</u>	<u>(189,704)</u>	<u>(454)</u>
Total Other Financing Uses	<u>(187,250)</u>	<u>(187,250)</u>	<u>(187,704)</u>	<u>(454)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(145,000)	(145,000)	(168,382)	(23,382)
Fund Balance - Beginning of Year	<u>145,000</u>	<u>145,000</u>	<u>333,494</u>	<u>188,494</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,112</u>	<u>\$ 165,112</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 Audit 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, 2019, and have issued our report thereon dated December 6, 2019.

### 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 aggregate discretely presented component unit was not tested for compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to, the following:

- Deposit of public funds with financial institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions, and repayment
- Budgets legally required (ORS Chapter 294)
- Insurance and fidelity bonds in force or required by law
- Programs funded from outside sources
- Authorized investment of surplus funds (ORS Chapter 294)
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe 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 6, 2019



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



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

Board of Education  
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, 2019, and the related notes to the financial statements, which collectively comprise Southwestern Oregon Community College's basic financial statements, and have issued our report thereon dated December 6, 2019. Our report includes a reference to other auditors who audited the financial statements of Southwestern Oregon Community College Foundation, as described in our report on Southwestern Oregon Community College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southwestern Oregon Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Bellevue, Washington  
December 6, 2019



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



## 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**

We have audited Southwestern Oregon Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southwestern Oregon Community College's major federal programs for the year ended June 30, 2019. 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.

### ***Management's Responsibility***

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

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

Our responsibility is to express an opinion on compliance for each of Southwestern Oregon Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southwestern Oregon Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Southwestern Oregon Community College's compliance.

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

In our opinion, Southwestern Oregon Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### ***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 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control Over Compliance**

Management of Southwestern Oregon Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southwestern Oregon Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southwestern Oregon Community College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

Board of Education  
Southwestern Oregon Community College

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the 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 6, 2019



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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA #</b>	<b>Agency Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Education:</b>				
<u>Direct Programs:</u>				
<b>Student Financial Assistance Cluster</b>				
Federal Pell Grant Program	84.063	P063P132071	\$ 2,779,837	\$ -
Federal Supplemental Educational Opportunity Grants	84.007	P007A133511	92,263	-
Federal Work-Study Program	84.033	P033A133511	83,923	-
Federal Direct Student Loans	84.268	P268K142071	2,918,228	-
Total Student Financial Assistance Cluster			5,874,251	-
<b>TRIO Cluster</b>				
TRIO - Educational Talent Search	84.044A	P044A160271-18/ P044A160314-18	573,177	-
TRIO - Student Support Services	84.042A	P042A170569-18	313,727	-
TRIO - Upward Bound	84.047A	P047A170151-18	286,636	-
Total TRIO Cluster			1,173,540	-
Higher Education Institutional Act - Title III Promise	84.031A	P031A150247-18	356,674	-
<u>Pass-Through Programs from:</u>				
Oregon Department of Community Colleges and Workforce Development				
Adult Education - Basic Grants to States	84.002	18-142	109,597	-
<u>Pass-Through Programs from:</u>				
South Coast Regional Early Learning Hub				
SCREL School Readiness	84.412A	014	14,779	-
SCREL Kindergarten Ready	84.412A	021	17,138	-
SCREL Focused Child Care Network	84.412A		40,989	-
			72,906	-
South Coast Educational Services District, Region 7				
Carl Perkins Vocational Education	84.048		65,473	-
<b>Total U.S. Department of Education</b>			<b>\$ 7,652,441</b>	<b>\$ -</b>

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, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA #</u>	<u>Agency Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b><u>U.S. Small Business Administration</u></b>				
<u>Pass-Through Programs from:</u>				
Oregon Small Business Development Network: Small Business Development Centers	59.037	SBA-2018-156/SBA-2019-156	\$ 50,899	\$ -
<b>Total U.S. Small Business Administration</b>			<b>50,899</b>	<b>-</b>
<b><u>U.S. Department of Health and Human Service</u></b>				
<u>Pass-Through Programs from:</u>				
Oregon Department of Education: Child Care Resource and Referral Network (Integrated Child Care) Child Care and Development Block Grant	93.596	11168	172,728	-
<b>Total U.S. Department of Health and Human Service</b>			<b>172,728</b>	<b>-</b>
<b><u>U.S. Department of Justice</u></b>				
<u>Direct Programs:</u>				
VOCA Funding Initiatives to Address OR Victim Service Gaps 2nd Release	16.575	VOCA-FI-2018-SOCC-00109	50,408	29,709
<b>Total U.S. Department of Labor</b>			<b>50,408</b>	<b>29,709</b>
<b><u>U.S. Department of Agriculture</u></b>				
<u>Pass-Through Programs from:</u>				
State of Oregon, Dept. of Education Child & Adult Care Food Program	10.558	0619006	6,387	-
Summer Food Service Program for Children	10.555	0619007	3,416	-
<b>Total U.S. Department of Agriculture</b>			<b>9,803</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 7,936,279</b>	<b>\$ 29,709</b>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

**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 for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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**

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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

---

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

---

*Financial Statements*

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

*Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  X  yes \_\_\_\_\_ no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.007  
84.033  
84.063  
84.268

Student Financial Aid Cluster:  
Federal Supplemental Educational Opportunity Grants  
Federal Work Study Program  
Federal Pell Grant Program  
Federal Direct Loans

Dollar threshold used to distinguish between type A and type B programs: \$750,000/\$187,500

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

---

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

---

**Material Weaknesses in Internal Control Over Financial Reporting**

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

---

***Section III – Federal Award Findings and Questioned Costs***

---

**2019 – 001**

**Federal Agency:** Department of Education

**Federal Program:** Title: Student Financial Assistance Cluster

**CFDA Number:** 84.063 – Federal Pell Grant Program  
84.007 – Federal Supplemental Educational Opportunity Grants  
84.033 – Federal Work-Study Program  
84.268 – Federal Direct Loans

**Award Period:** July 1, 2018 – June 30, 2019

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

**Criteria or specific requirement:** Federal regulations require all tuition, books, and room and board be included in the calculation of Title IV Refunds.

**Condition:** Some tuition, books, and room and board were not included in the cost of attendance for the Title IV Refunds.

**Questioned costs:** \$1,366

**Context:** 1 of 40 students tested were not calculated correctly. The business office and the financial aid office calculated the R2T4 for every student who withdrew before the 60% cutoff.

**Cause:** Due to the system separating tuition and books from the room and board costs, the room and board costs were excluded from one student's calculation from the business office and the financial aid office.

**Effect:** The College is not in compliance with the federal regulations requiring the Title IV refunds to include all costs. In addition, the College did not refund the correct amount of loans.

**Repeat Finding:** No

**Recommendation:** We recommend the College put a process in place to ensure that all costs are included in the calculation. This could be a checkbox for each code to ensure the person calculating the refund has looked in every place.

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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**2019 – 002**

**Federal Agency:** Department of Education

**Federal Program:** Title: Student Financial Assistance Cluster

**CFDA Number:** 84.063 – Federal Pell Grant Program  
84.007 – Federal Supplemental Educational Opportunity Grants  
84.033 – Federal Work-Study Program  
84.268 – Federal Direct Loans

**Award Period:** July 1, 2018 – June 30, 2019

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

**Criteria or specific requirement:** GLBA (Public Law 106-102) (16 CFR 314) The Federal Trade Commission considers Title IV -eligible institutions that participate in Title IV Educational Assistance Programs as "financial institutions" and are subject to GLBA (16 CFR 313.3(k)(2)(iv).

**Condition:** An Information Security Program has not been formally established. Additionally, a comprehensive risk assessment has not been conducted in accordance with 16 CFR 314.4 (b).

**Questioned costs:** None

**Context:** Documentation requested was not established or able to be provided during the period.

**Cause:** Much work was accomplished towards bringing the college into compliance, however, staff were not fully aware of all the specific components of the GLBA requirements and what documentation should be provided during the audit process.

**Effect:** The College is not in compliance with the federal regulations requiring the institution to establish an information security program and perform a risk assessment. In addition, the College could have unidentified or unacceptable risk leading to the compromise of College systems and/or information.

**Repeat Finding:** No

**Recommendation:** The College should establish an information security program that details security measures which:

- Ensure the security and confidentiality of covered data and information;
- Protect against anticipated threats or hazards to the security or integrity of such information; and
- Protect against unauthorized access to or use of covered data and information that could result in substantial harm or inconvenience to any student, customer, or employee.

This Information Security Program should also detail mechanisms to:

- Identify and assess the risks that may threaten covered data and information maintained by the College;
- Develop written policies and procedures to manage and control these risks;
- Implement and review the program; and

**SOUTHWESTERN OREGON COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**Recommendation (Continued):**

- Adjust the program to reflect changes in technology, the sensitivity of covered data and information and internal or external threats to information security.

Furthermore, the College should perform an information technology risk assessment which should be updated on an annual basis. The assessment should identify risks or events by category (financial, operational, strategic, compliance, etc.), assess the risks, and respond to risks. This will allow the institution to better identify, evaluate, and exploit the right risks for their business, all while maintaining the appropriate controls to ensure effective and efficient operations and regulatory compliance.

As defined by GLBA - Student Information Security requirements the documented risk assessment must address but not limited to:

- Employee training and management
- Information systems, including network and software design, as well as information sharing processing, storage, transmission and disposal
- Detecting, preventing, and responding to attacks, intrusions, or other system failures.

Finally, the institution should have a documented and verified safeguard for each risk identified.

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