

UMPQUA COMMUNITY COLLEGE

**FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014**

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

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ROSEBURG, OREGON

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Serving Douglas County Since 1964

September 19, 2014
Board of Trustees
Umpqua Community College
Roseburg, OR 97470

The Annual Financial Report of Umpqua Community College for the fiscal year ended June 30, 2014 is submitted in accordance with Oregon Revised Statutes (ORS) 297.405 to 297.555 and 297.990, known as Municipal Audit Law. This report was prepared by the College's finance office. The responsibility for the completeness and fairness of the data presented and all accompanying disclosures rest with the management of Umpqua Community College. We believe the report and its data are accurate and complete in all material aspects in disclosing the financial position and results of operations of Umpqua Community College as of June 30, 2014 and for the year then ended.

The Annual Financial Report is organized in the following sections:

1. The Introductory Section contains the letter of transmittal with an overview of the College that includes factors affecting the financial condition and requires supplementary information, a listing of principal officials, and the organization chart.
2. The Financial Section includes Management's Discussion and Analysis, the basic financial statements and accompanying notes as well as the independent auditor's report. A narrative introduction, overview and analysis are included in the Management's Discussion and Analysis in this section.
3. The College is required to have an annual single audit in conformity with the provisions of the Single Audit Act and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Information related to the single audit, and Governmental Auditing Standards, Including the Schedule of Expenditures of Federal Awards and various independent auditors' reports, are included in the Governmental Auditing Standards and OMB Circular A-133 Disclosures Section.
4. The independent Auditor's Comments Section includes the auditor's comments required by the Minimum Standards for Audits of Oregon Municipal Corporations.

COLLEGE INFORMATION

Umpqua Community College is a comprehensive public community college located in Douglas County in southwestern Oregon. The College District was established in 1964 by a vote of its residents. Umpqua strives to make quality post-secondary education affordable and accessible to district residents.

The college offers transfer programs, career and technical training, community education, adult basic education, workforce development, and serves as a cultural and recreational center.

The College District comprises 107,164 residents within the 5,071 square mile area of Douglas County. Douglas County is classified as isolated, rural and economically distressed. The largest population center is Roseburg (pop. 21,884); the majority of residents live in towns with populations of less than 4,000 or in the rural, unincorporated areas between these small towns.

The college serves more than 15,500 unique students each year of which approximately 3,150 are credit students. The main campus is located six miles north of Roseburg on 100 acres of donated land overlooking the North Umpqua River. The main campus is comprised of 15 buildings located on park-like grounds with 4 additional campus locations; The H. Woolley Adult Basic Education Center located at 1634 W. Harvard, Roseburg, Community and Workforce Training Center located at 2555 N. E. Diamond Lake Blvd., Roseburg, Small Business Development Center located at 522 SE Washington Ave, Roseburg, and the Commercial Driving License Truck Shop located at 174 Stanford Road, Winston.

COLLEGE MISSION

Umpqua Community College provides high quality college degree programs, workforce development, and community learning opportunities.

PROGRAMS

Umpqua Community College has five major areas of study:

1. Career and Technical Education (CTE) programs provide knowledge and skills needed to find employment in a wide variety of occupations.
2. College Transfer courses are designed to meet the first two years of academic work at a college or university.
3. Developmental skill-building classes for people who want to earn their GED or learn basic reading, writing, math and study skills for success in academic programs.
4. Lifelong learning opportunities through both credit and non-credit courses and workshops.
5. Workforce training and small business development: In cooperation with district businesses and agencies, Umpqua offers job-related training customized to the organization's needs. In addition, Umpqua offers training and support for the areas small businesses.

ECONOMY

Douglas County extends from sea level at the Pacific Ocean to Mt. Thielsen in the Cascade Range. Slightly over the half of the County's land is owned by the federal government and is managed by the Bureau of Land Management and the Forest Service. For years, Douglas County's economic base relied heavily on the lumber and wood products industry. With the decline of the wood products industry, Douglas County has made a concerted effort to bring industry to the area to diversify the local economy. The population of the County has grown slowly. It increased 6% since 2004. For the most part, the growth has been from the migration of retirement age people from other areas of the country. Douglas County's unemployment rates have consistently been among the highest in the state (9.1% for the month of June 2014) comparing to the state rate of 6.6% and the national rate of 6.1%. The per capita personal income of Douglas County residents in 2011 ranked 25 among Oregon's 36 counties.

GOVERNING BODIES

The members of the Board of Trustees of Umpqua Community College are duly elected representatives of the people, pursuant to the statutes of Oregon and consistent with the rules of the Oregon State Board of Trustees. The Umpqua Community College Board of Trustees has statutory charge and control of all activities, operations and programs of the college including its property, personnel, and finances. The College is not a component unit of any other entity. The College has one discretely presented component

unit, Umpqua Community College Foundation, for which the College is considered to be financially accountable. The Board of Trustees comprises seven qualified members elected for four-year terms. Members are elected from established zones within the community college district.

OREGON STATE BOARD OF EDUCATION

The Oregon State Board of Education is the agency that provides state-level regulations of Oregon's community college system. The Commissioner of the Department of Community Colleges and Workforce Development serves as an administrative officer of community college matters. The Board establishes state standards for educational programs and facilities and approves courses of study.

COLLEGE MANAGEMENT

The President is appointed by the local Board of Trustees. The President and executive team of the college administer policies set by the Umpqua Board of Trustees.

ACCREDITATION

Umpqua Community College is fully accredited by the Northwest Association of Schools and Colleges (NWCCU-<http://www.nwccu.org>). The College's last full-scale accreditation visit was completed in 2005 and the report was issued in 2006. The Year Three Evaluation Report was issued in 2012. The Year Seven Evaluation Report will be issued in the fall of 2015. The College's programs, certificates and courses are approved by the Oregon Department of Community Colleges and Workforce Development (CCWD – <http://www.oregon.gov/CCWD/ccdirectory.shtml>).

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The Umpqua Board of Trustees has selected the accounting firm of Pauly, Rogers and Co., P.C., as its auditors. In addition to meeting the requirements set forth in Oregon statutes, the audit also was designed to meet the requirements of the federal Single Audit Amendment of 1996 and related OMB Circular A-133.

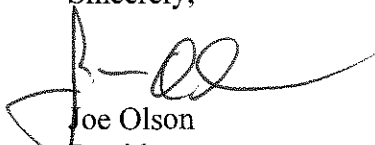
INTERNAL CONTROLS

Umpqua Community College management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the College are protected from loss, theft, or misuse and to ensure adequate accounting information is available for the preparation of the financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

ACKNOWLEDGEMENTS

We wish to express our appreciation to the entire finance office staff for their efforts and contributions to our Comprehensive Annual Financial Report. We also thank the members of the Umpqua Board of Trustees for their support and dedication to the financial operations of the college.


Sincerely,



Joe Olson
President

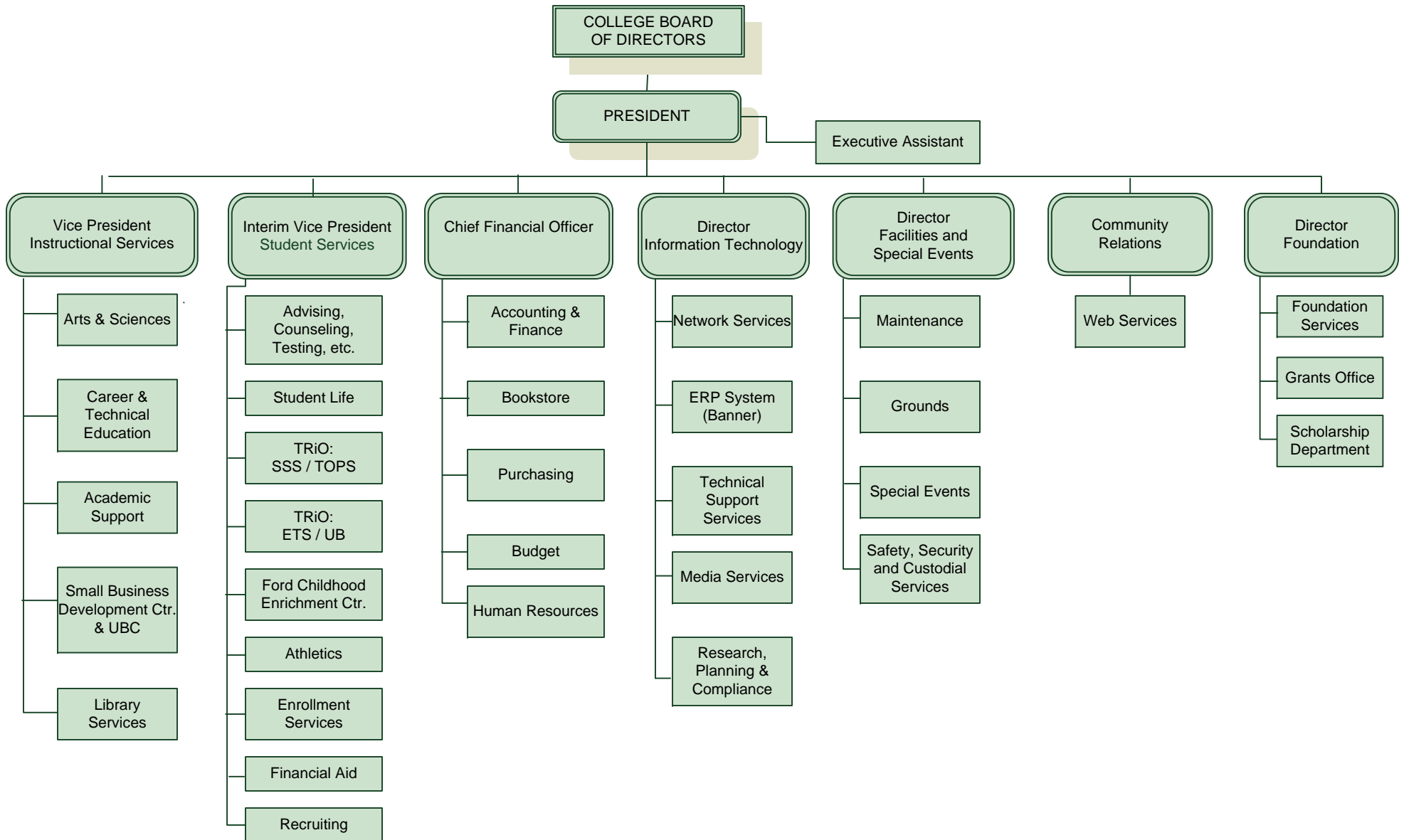


Rebecca Redell
Chief Financial Officer



Natalya Brown
Director
Accounting and Finance

UMPQUA COMMUNITY COLLEGE



**UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON**

BOARD OF TRUSTEES

<u>Official</u>	<u>Term Expires</u>
Betty Tamm	2015
Elin Miller	2015
Wendy Weikum	2015
Sharon Rice	2017
Bob Bell	2017
Joe Yetter	2015
Vanessa Becker	2017
Dr. Joseph Olson	President
Rebecca Redell	Chief Financial Officer

MAILING ADDRESS

Umpqua Community College
1140 Umpqua College Rd
Roseburg, Oregon 97470-0226
Phone (541) 440-4632 – Fax (541) 440-7707



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

October 30, 2014

To the Board of Trustees
Umpqua Community College
Roseburg, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the basic financial statements and the discretely presented component unit of the Umpqua Community College, as of and for the year ended June 30, 2014, and the related notes to the basic financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The financial statements of the Umpqua Community College Foundation (a 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 auditor's 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of Umpqua Community College and discretely presented component unit at June 30, 2014, and the respective changes in financials position, and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, 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 Management's Discussion and Analysis, as listed in the table of contents, 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 Management's Discussion and Analysis and the Schedule of Funding Progress and Contributions for Retiree Health Plan, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Umpqua Community College's basic financial statements. The supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information for all appropriated funds and supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the financial statements as a whole.

The listing of board members containing their term expiration dates, located before the table of contents, the introductory section and the other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Reports on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our reports dated October 30, 2014, on our consideration of Umpqua Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and do not provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report and should be considered in assessing the results of our audit.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 30, 2014, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Matthew Graves, CPA
PAULY, ROGERS AND CO., P.C.

UMPQUA COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2014

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

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Umpqua Community College's basic financial statements, which consists of entity-wide financial statements prepared in accordance with the accrual basis of accounting and notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The entity-wide financial statements are designed to provide readers with a broad overview of the College's finances, in a manner similar to a private-sector business. These statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. The entity-wide financial statements consist of the following:

The *Statement of Net Position* presents information on all of the College's assets, deferred outflows, liabilities and deferred inflows, with the difference between the categories reported as net position. Over time, increases or decreases in net position are an indicator of the improvement or erosion of the College's financial health when considered along with non-financial facts such as enrollment levels and the condition of the facilities.

The *Statement of Revenues, Expenses and Changes in Net Position* presents the revenues earned and the expenses incurred during the year. All changes in net position are reported under the accrual basis of accounting, or as soon as the underlying event giving rise to the change occurs, regardless of the timing when the cash is received or disbursed. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The utilization of long-lived assets is reflected in the financial statements as depreciation which amortizes the cost of the capital assets over the expected useful life. Revenues and expenses are reported as either operating or non-operating, with operating revenues primarily coming from tuition, grants, and contracts. State appropriations and property taxes are classified as non-operating revenues. Because of the College's dependency on state aid and property tax revenue, this statement presents an operating loss, although overall net position remains positive.

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

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements.

Financial Highlights

The College's financial position at June 30, 2014 shows assets of \$44,775,363, liabilities of \$17,710,030 and net position of \$27,065,333. Of this amount, \$9,407,600 is classified as unrestricted net position. The unrestricted net position may be used to meet the College's ongoing obligations. The largest component of net position in the amount of \$15,079,003 is the College's investment in capital assets, which represent its land, buildings, equipment, net of accumulated depreciation and related debt. The College uses these capital assets to provide educational services to students; consequently these assets are not available for future spending.

State support, a non-operating revenue, increased by \$6.2 million from fiscal year 2012-2013. This fluctuation is due to the timing of the fourth payment received from the state, which on alternating years is not received until July 15th of the next year. The delayed payment strategy for state funds produces 5 of the 8 biennial payments in the first year of the biennium making year to year comparisons very difficult. Actual budgetary basis state resources, which report four quarters every year, were \$10,250,466, \$10,626,202, \$10,251,054 and \$11,077,003 for the fiscal years 10/11, 11/12, 12/13 and 13/14 respectively.

Analysis of the Statement of Net Position as of June 30, 2014

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources of the College using the accrual basis of accounting, which is similar to the accounting presentation used by most private colleges. "Net Position" is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources, and is one measure of the financial condition of the College.

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Assets			
Current assets	\$ 14,596,299	\$ 12,660,757	15.29%
Noncurrent assets	<u>30,179,064</u>	<u>29,384,475</u>	2.70%
Total assets	<u><u>44,775,363</u></u>	<u><u>42,045,232</u></u>	6.49%
Liabilities			
Current liabilities	3,571,339	3,571,843	-0.01%
Noncurrent liabilities	<u>14,138,691</u>	<u>14,559,210</u>	-2.89%
Total liabilities	<u><u>17,710,030</u></u>	<u><u>18,131,053</u></u>	-2.32%
Net Position			
Invested in capital assets net of related debt	15,079,003	15,045,989	0.22%
Restricted	2,578,730	2,174,436	18.59%
Unrestricted	<u>9,407,600</u>	<u>6,693,754</u>	40.54%
Total net position	<u><u>\$ 27,065,333</u></u>	<u><u>\$ 23,914,179</u></u>	13.18%

Current assets consist of cash and investments, receivables, inventories and prepaid expenses. The College's current assets of \$14.6 million were sufficient to cover current liabilities of \$3.6 million. This represents a current ratio of 4.1. Receivables consist of property taxes, student accounts, grants and contracts, accounts receivable - due from the Foundation and various operating receivables. There was a slight change in the composition of current assets.

Cash and investments increased by \$2,363,764 from 2012-2013 to the current year. Cash and investments represent 68.5% of total current assets compared to 60.3% for the prior year. Accounts receivable decreased slightly from 2012-2013 and represent 25.1% of current assets compared to 31.9 % last year. Other current assets consist of inventories and prepaid expenses decreasing slightly from \$986,893 last year to \$946,559 this year. There is a decrease in accounts receivable – due from Foundation of \$186,352 compared to last year indicating receipt of funds. \$489,702 of the \$568,369 outstanding represents pledges receivable from the Foundation for Danny Lang Teaching, Learning and Event Center.

Current assets have increased primarily from the delayed payment strategy for state funds. The delayed payment of state funding has the effect of decreasing current assets in odd numbered years and increasing them in even numbered years.

The College's current liabilities consist primarily of payroll, various payables for operations, unearned revenue, and the current portion of long-term debt. Current liabilities remained the same compared to last year.

The College's two largest non-current assets are its investments in capital assets and the pension assets from a pension obligation bond financing. The College's investment in capital assets is \$18.8 million, net of accumulated depreciation. Art Collection and Musical Instrument Collection were transferred to the College from the Foundation this year. A pension asset, created when the College issued pension bonds with the proceeds being managed by PERS for the purpose of meeting the College's unfunded actuarial liability ("UAL"), is included with noncurrent assets.

Noncurrent liabilities consist of long-term debt of \$14,138,691 from the issuance of the pension bonds and full faith and credit obligations.

The largest portion of the College's net position is the \$15.1 million invested in capital assets, net of related debt. The College's restricted net position consists of amounts set aside for debt service and contracted programs. The College's unrestricted net position consists of amounts for the continuing operation of the College. The increase in the College's unrestricted net position is explained by the state support delayed payment strategy described above.

Analysis of the Statement of Revenues, Expenses and Changes in Net Position for the Year Ended June 30, 2014

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the College, as well as the non-operating revenues and expenses. Annual state reimbursements and property taxes, while budgeted for operations, are considered non-operating revenues according to Generally Accepted Accounting Principles ("GAAP") in the United States.

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Total operating revenues	\$ 20,060,865	\$ 22,134,028	-9.37%
Total operating expenses	<u>34,819,663</u>	<u>36,217,806</u>	-3.86%
Operating Loss	(14,758,798)	(14,083,778)	-4.79%
Non-operating revenues, net	<u>18,075,498</u>	<u>11,312,296</u>	59.79%
Total increase / (decrease) in net assets	3,316,700	(2,771,482)	
Net assets, beginning of year	23,914,179	26,685,662	-11.01%
Less restatement Per GASB 65	<u>(165,546)</u>	<u>-</u>	
Net assets, end of year	<u>\$ 27,065,333</u>	<u>\$ 23,914,179</u>	13.18%

Revenues

The most significant sources of operating revenue for the College are federal, state and local grants and contracts, including student financial aid, student tuition and fees, and bookstore operations. Tuition and fees include all amounts paid for education purposes. Operating revenues decreased by 9.37% from 2012-13 due to the changes described below.

Operating revenues: Tuition and fees decreased by \$156,375 due to lower enrollment offset by a \$10.00 per credit tuition increase. Federal student financial aid totaled approximately \$10.2 million, a decrease of 19.9% from the prior year. Intergovernmental grants and contracts increased by 27.6% compared to last year. Tuition and fees as well as bookstore sales were reported net of scholarship discounts and allowances (approx. \$5.2M). The same reduction was recorded in financial aid expenses. Other operating revenue increased by 26.8%.

Non-operating revenues: There were significant changes in non-operating revenues during the fiscal year. The largest non-operating revenue source is from the State of Oregon. The Oregon State Legislature defers the fourth quarter FTE reimbursement owed to the College at the end of each biennium. The College's fourth quarter FTE reimbursement was deferred from April 15, 2013 to July 15, 2013. In accordance with accounting standards, the College recognized the deferred payment when it was received. As a result of this deferral, current year revenues reflect five quarters of FTE reimbursement and the subsequent year will reflect three quarters of FTE reimbursement. The increase of \$6.2 million in FTE reimbursements is the result of this timing difference in the recognition of revenue. In addition, pension asset has reflected an increase in investment gains in the amount of almost \$536,580 compared to last year. As a result, non-operating revenues increased in the amount of \$6.8M compared to last year.

Expenses

Operating expenses: Operating expenses for fiscal year 2013-14 totaled \$34,819,663, a decrease of 3.86%. Student financial aid (restated per NACUBO advisory report 2000-05) decreased by \$2M from last year due to a decreased enrollment. It represents 18.5% of total operating expenses compared to 23.54% last year. Instruction represents the largest expense, or 31%, of total operating expenses of \$34,819,663 followed by college support services of 21.4%, student financial aid of 18.5% and student services of 16.4%.

Non-operating expenses: Non-operating expenses consist of interest expense incurred for debt service.

In accordance with GASB Statement 65 – Items Previously Reported as Assets and Liabilities, the College restated beginning net position for the effect of the change in accounting principle required by the new standard. Specifically, bond issuance costs of \$165,546 are no longer reported as assets, but rather outflows of the period in which the debt was incurred. Since all of the College’s debt was incurred in prior fiscal years, beginning net position has been restated.

Analysis of the Statement of Cash Flows for the Year Ended June 30, 2014

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

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Cash Provided By (Used In):			
Operating activities	\$ (12,351,428)	\$ (11,756,792)	-5.06%
Non-capital financing activities	16,152,699	9,976,500	61.91%
Capital and related financing activities	(1,490,575)	(881,825)	-69.03%
Investing activities	<u>53,067</u>	<u>52,819</u>	0.47%
Net increase / (decrease) in cash	2,363,764	(2,609,298)	
Cash - beginning of year	<u>7,628,831</u>	<u>10,238,128</u>	-25.49%
Cash - end of year	<u><u>9,992,595</u></u>	<u><u>7,628,831</u></u>	30.98%

The major sources of cash in operating activities include student tuition and fees, federal financial aid, grants and contracts, and auxiliary enterprises (Bookstore and Cafeteria). Major uses of cash were payments made to employees, suppliers, student financial aid and other scholarships. Cash used in operating activities increased by 5.6% compared to last year. The most significant changes are in reduction of cash flows from tuition and fees, federal student financial aid and auxiliary enterprise activities.

State reimbursements and property taxes are the primary sources of non-capital financing. The property taxes are assessed to property owners within the College’s tax base. The current accounting standards require that we reflect these sources of revenue as non-operating even though the College’s budget depends on these revenues for operations. The non-capital financing activities and net change in cash had significant changes due in large part to the effect of the State’s fourth quarter payments being delayed between years as explained earlier.

The other significant change is reflected in cash used for capital and related financing activities. Cash used for capital and related financing activities increased from \$881,825 to \$1.5M this year for the purchases of equipment for the viticulture and enology program through Economic Development Administration, purchase of Degree Works through federal Title III funding, equipment purchased through Perkins Grant, equipment purchased for informational technology and pool refurbishment. Cash used in capital and related financing activities consisted of \$1,172,149 for expenditures related to the capital assets, and debt service payments of \$318,426.

Capital Assets and Debt Administration

Capital Assets

The College's investment in capital assets as of June 30, 2014 amounts to \$18,769,003 net of accumulated depreciation. Investment in capital assets includes land, art collection, musical instrument collection, construction in process, buildings and improvements, land improvements, infrastructure, equipment, vineyard development and intangible assets. Major capital increases during the fiscal year included transfer of art and musical instrument collection from the Foundation, equipment purchases for the viticulture and enology program through Economic Development Administration, information technology equipment and pool refurbishment. More detailed information about the College's capital assets is included in Note 4 to the financial statements.

Long-term Debt

The College's total debt decreased \$410,000 during the current fiscal year. At the end of the current fiscal year, the college had total debt outstanding of \$14,540,000. Of this amount \$10,850,000 comprises pension obligation bonds, and \$3,690,000 in full faith and credit obligations. Note 12 of the financial statements presents UCC's long-term debt structure.

Budgetary Highlights

The College adopts an annual budget at each fund's major expenditure function level on a non-GAAP budgetary basis of accounting for governmental funds. Differences between the original budget and the final amended budget in the General Fund resulted primarily from spending adjustments between organizational units.

For more information, please refer to the budgetary statements beginning with Schedule 1; Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual; General Fund.

Economic Factors and Next Year's Budget

Douglas County's economy, along with other rural counties in the State, is not bouncing back like the more urban ones. The college experienced a large drop in enrollment during the 12-13, and 13-14 fiscal years as the enrollment bubble that occurred due the recession moved on. As a result, the budget for 14-15 was developed with an assumption that enrollment would increase by 1.5%. Due to the \$10 increase in tuition the previous year, the Board elected to not increase tuition for the 14-15 year. Enrollment sustainability and the trend of declining state resources continue to be a concern.

State Resources

The mix of core funding for community colleges between state support, property taxes and tuition has changed over the past 20 or more years. Community colleges started to depend less on a local property tax revenues while relying more on state support and tuition. As we are in the second year of a biennium, the projected State resource number is decreasing due to the last several years decline in enrollment. State resources are based on an average of the prior three years of enrollment. The projected funding level for community colleges as a whole for the biennium was \$451M. State support made up 43% of resources, down from 47% in 2008-09 and 41% in 2011-12 but up from 39% in 2012-13.

There has been considerable discussion on the state level to look at new factors other than the current enrollment measure to base the distributions of the state appropriations for community colleges. Options include using measures of student success or completion such as the number of diplomas or certificates awarded by individual community colleges.

PERS

The retirement system continues to put stress on the College's economy. The UAL was funded through a bond issue. By funding the UAL, the College intended to lessen the cost over the long run. Note 12 of the financial statements reflects the pension bond payment schedule. The College as well as other agencies participating in the Oregon Public Employee's Retirement system face future increases in employer rates due to the economic downturn and drop in stock prices during 2008 and 2009. The State Legislature passed PERS reform during the 2013 session that would potentially drop the PERS rates by roughly 4%. At this time, the changes are being challenged in court so it is unknown whether or not the reduction will be permanent. The College has chosen to use the rates with the adjustments from the 2013 session. In prior years, the College had built up a reserve of roughly \$1 million against possible future rate increases.

The Budget

Highlights of the 2014-2015 Budget:

UCC continues to maintain one of the lowest tuition rates out of the 17 community colleges in the State of Oregon. We are estimating a decreased allocation from the State in this second half of the biennium due to the declining enrollment UCC has seen since the recession ended. Most areas have been subjected to a decrease in materials and services budgets in order to balance the overall budget. In addition, we have held some administrative positions vacant.

The following is a list of some of the main drivers and requirements of the budget:

- Maintain a reserve of 10% of the operational budget for emergency needs only
- Continue establishment of PERS Unfunded Actuarial Liability Reserve, so that the bond payments remain at a level amount throughout the repayment period
- Maintain current service levels as much as possible
- Retain current full time staff

Accounting methods: The College uses the modified accrual method of accounting for budgeting and the accrual method for financial reporting. The financial statements have been prepared in accordance with Governmental Accounting Standards Board Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities. The College implemented Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position for the fiscal year ended June 30, 2013. The financial statements also include the College's independent Foundation in accordance with Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations Are Component Units". Under the standard, state and local governments that have qualifying fundraising foundations are required to include, through discrete presentations, the financial activities of those foundations in their financial statements.

Requests for Information

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

Umpqua Community College
Director of Accounting & Finance
PO Box 967
Roseburg, OR 97470

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

BASIC FINANCIAL STATEMENTS

UMPQUA COMMUNITY COLLEGE

ROSEBURG, OREGON

**Statement of Net Position
As of June 30, 2014**

Assets

Current assets:		
Cash and investments		\$ 9,992,595
Receivables, net of allowance for uncollectibles:		
Property Taxes		363,655
Accounts/grants		2,725,121
Accounts Receivable - Due from Foundation		568,369
Inventories		403,757
Prepaid expenses		542,802
Total current assets		<u>14,596,299</u>
Noncurrent assets:		
Pension asset		11,410,061
Capital assets:		
Land		156,353
Art Collection		80,500
Musical Instrument Collection		49,200
Construction in process		754,116
Buildings and improvement		27,227,499
Land improvements		761,080
Infrastructure		1,893,548
Equipment		5,213,344
Vineyard Development		18,424
Intangible assets		327,818
Less accumulated depreciation		<u>(17,712,879)</u>
Total noncurrent assets		<u>30,179,064</u>
Total assets		<u>44,775,363</u>

Liabilities

Current liabilities		
Accounts payable		711,739
Accounts payable - Due To Foundation		2,203
Payroll liabilities		986,651
Compensated absences		332,352
Unearned revenue		1,078,394
Current Maturities of long-term obligations		460,000
Total current liabilities		<u>3,571,339</u>
Noncurrent liabilities-long-term obligations		
Pension bonds payable		10,850,000
Full Faith and Credit Obligations payable		3,690,000
Other postemployment benefits		58,691
Total long-term obligations		<u>14,598,691</u>
Less current maturities		<u>(460,000)</u>
Total noncurrent liabilities - long-term obligations		<u>14,138,691</u>
Total liabilities		<u>17,710,030</u>

Net Position

Invested in capital assets, net of related debt		<u>15,079,003</u>
Restricted for debt service		2,306,183
Restricted for grants and contracts		272,547
Total restricted net position		<u>2,578,730</u>
Unrestricted		<u>9,407,600</u>
Total net position		<u>\$ 27,065,333</u>

The accompanying notes are an integral part of this statement.

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2014

Operating revenues:	
Tuition and fees	\$ 3,029,056
Federal student financial aid grants	10,194,591
Intergovernmental federal grants and contracts	2,525,597
Intergovernmental state grants and contracts	1,410,982
Nongovernmental grants and contracts	1,063,498
Bookstore sales	634,156
Food service sales	253,794
Other operating revenue	949,192
Total operating revenue	20,060,865
Operating expenses:	
Instruction	10,800,579
Instructional support	2,522,726
Student services	5,711,761
College support services	7,467,329
Community services	80,441
Student financial aid	6,442,330
Facilities acquisition /construction	520,361
Depreciation	1,274,135
Total operating expenses	34,819,663
Operating loss	(14,758,799)
Nonoperating Revenues-(expenses)	
State community college support	13,753,048
Property taxes	3,253,946
Investment Income	53,067
Investment gain (loss) on pension asset	1,811,950
Interest expense	(796,513)
Total nonoperating revenues-(expenses)	18,075,498
Change in net assets	3,316,700
Restated Net Position - beginning of year (see Note 14)	23,748,633
Net position -end of year	\$ 27,065,333

The accompanying notes are an integral part of this statement.

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

Statement of Cash Flows
Year Ended June 30, 2014

Cash flows from operating activities:	
Tuition and fees	\$ 2,421,230
Federal student financial aid grants	10,739,876
Intergovernmental grants and contracts	3,278,957
Nongovernmental grants and contracts	1,908,237
Bookstore sales	528,129
Food service sales	242,663
Other cash receipts	919,177
Payments to employees for services	(19,733,011.87)
Payments to suppliers for goods and services	(6,214,353)
Payments for student financial aid grants	<u>(6,442,330)</u>
Net cash used in operating activities	<u>(12,351,427)</u>
Cash flows from noncapital financing activities:	
Cash received from State community college support	13,753,048
Cash received from property taxes	3,287,738
Principal paid on pension bonds	(275,000)
Interest paid on pension bonds	<u>(613,087)</u>
Net cash provided by noncapital financing activities	<u>16,152,699</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,172,149)
Principal paid on full faith and credit obligations	(135,000)
Interest paid on full faith and credit obligations	<u>(183,426)</u>
Net cash used in capital and related financing activities	<u>(1,490,575)</u>
Cash flows from investing activities:	
Investment income	<u>53,067</u>
Net increase in cash and cash equivalents	2,363,764
Cash and cash equivalents-beginning of year	<u>7,628,831</u>
Cash and cash equivalents-end of year	<u>\$ 9,992,595</u>

The accompanying notes are an integral part of this statement.

UMPQUA COMMUNITY COLLEGE

ROSEBURG, OREGON

Statement of Cash Flows

Year Ended June 30, 2014

Reconciliation of operating loss to net cash
used in operating activities:

Operating Loss	\$ (14,758,799)
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Adjustments to reconcile operating loss to net cash
used in operating activities:

Depreciation	1,274,135
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Amortization of pension asset	749,829
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Decrease-(increase) in:

Accounts/grants receivable	167,714
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Due from others	186,382
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Inventories	113,908
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Prepaid expenses	(73,575)
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Increase-(decrease) in:

Accounts payable	297,533
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Payroll liabilities	(6,931)
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Compensated absences	33,383
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Other postemployment benefits	39,481
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Due to others	2,203
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Unearned Revenue	<u>(376,692)</u>
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Total adjustments	<u>2,407,370</u>
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Net cash used in operating activities	<u><u>\$ (12,351,428)</u></u>
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Noncash capital, investing and financing activities:

Gain From pensions asset	1,811,950
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Pension asset	<u>(1,811,950)</u>
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Total noncash capital, investing and financing activities	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of this statement.

Continued from page 12

UMPQUA COMMUNITY COLLEGE FOUNDATION
(Component Unit)
Statement of Financial Position
June 30, 2014

	2014
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 610,292
Cash Held in Investment Accounts	346,983
Restricted Cash - SOWI Pledges	2,812
Total Cash and Cash Equivalents	960,087
Contributions Receivable, Current Portion	68,868
Other Receivables - Due from UCC	2,203
Other Receivables	183
Accrued Interest Receivable - Related Entities	273
Total Current Assets	1,031,614
OTHER ASSETS	
Contributions Receivable, net of Current Portion and Discount	303,489
Note Receivable, Hundred Valleys Mgmt. Services Corp.	28,678
Note Receivable, UCC Foundation Holding Co., Inc.	20,646
Investments, at Fair Value	9,224,510
Government Bonds	4,522
Investment in UCC Foundation Holding Co., Inc.	1,039,023
Inventory - Donated Autos	1,050
Wine Bond Deposit	-
Musical Instrument Collection	-
Permanent Art Collection	6,350
Total Other Assets	10,628,268
TOTAL ASSETS	\$ 11,659,882
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 4,245
Accounts Payable - Due to UCC	77,034
Scholarships Payable - Due to UCC	1,634
Current Portion - Due to UCC - DLC Pledges Payable	188,000
Total Current Liabilities	270,913
LONG-TERM LIABILITIES	
Share of Deficiency in Assets of Hundred Valleys Mgmt. Services Corp.	4,058
Due to UCC - DLC Pledges Payable, net of Current Portion	301,702
Total Long-Term Liabilities	305,760
TOTAL LIABILITIES	576,673
NET ASSETS	
Unrestricted	490,819
Unrestricted - Board Designated	119,741
Total Unrestricted	610,560
Temporarily Restricted	3,198,645
Permanently Restricted	7,274,004
TOTAL NET ASSETS	11,083,209
TOTAL LIABILITIES AND NET ASSETS	\$ 11,659,882

The accompanying notes are an integral part of these financial statements.

UMPQUA COMMUNITY COLLEGE FOUNDATION
(Component Unit)
Statement of Activities
For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Totals</u>
SUPPORT AND REVENUE:				
Donations & Pledges	\$ 358,919	\$ 378,530	\$ 2,333,830	\$ 3,071,279
Investment Income, net of Investment Expense	1,396	149,317	-	150,713
Other Income	2,450	48,179	-	50,629
In-Kind Support from Umpqua Community College	242,832	-	-	242,832
Net Realized Gains on Investments	4,343	472,278	-	476,621
Net Unrealized Gains (Losses) on Investments	5,999	627,695	-	633,694
Equity in Net Income of Affiliates	(29,780)	12,744	-	(17,036)
	<u>586,159</u>	<u>1,688,743</u>	<u>2,333,830</u>	<u>4,608,732</u>
Transfers between Restrictions	-	(421,796)	421,796	-
Net Assets Released from Restrictions	<u>833,755</u>	<u>(870,399)</u>	<u>36,644</u>	<u>-</u>
Total Support and Revenue	<u>1,419,914</u>	<u>396,548</u>	<u>2,792,270</u>	<u>4,608,732</u>
EXPENSES AND OTHER LOSSES:				
Scholarships & Student Support	389,053	-	-	389,053
Program Support	376,552	-	-	376,552
Management & General	219,777	-	-	219,777
Fundraising & Special Events	<u>102,381</u>	<u>-</u>	<u>-</u>	<u>102,381</u>
Total Expenses	<u>1,087,763</u>	<u>-</u>	<u>-</u>	<u>1,087,763</u>
Total Expenses and Other Losses	<u>1,087,763</u>	<u>-</u>	<u>-</u>	<u>1,087,763</u>
CHANGE IN NET ASSETS	<u>332,151</u>	<u>396,548</u>	<u>2,792,270</u>	<u>3,520,969</u>
NET ASSETS, beginning of year	<u>278,409</u>	<u>2,802,097</u>	<u>4,481,734</u>	<u>7,562,240</u>
NET ASSETS, end of year	<u>\$ 610,560</u>	<u>\$ 3,198,645</u>	<u>\$ 7,274,004</u>	<u>\$ 11,083,209</u>

The accompanying notes are an integral part of these financial statements.

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the College's accounting policies are described below.

ORGANIZATION AND OPERATION

Umpqua Community College (the College) was established in 1964 under ORS Chapter 341. The College is governed by a seven member Board of Trustees whose members are elected independently.

REPORTING ENTITY

The financial statements of the College present the College and its component unit, Umpqua Community College Foundation. The Foundation is a discretely presented component unit and is reported in separate statements in the basic financial statements.

The Foundation is a legally separate, tax-exempt entity and acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of Trustees of the Foundation is self-perpetuating. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation reports as a not-for-profit organization under Financial Accounting Standards Board (FASB) standards. As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

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 the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for state and local governments, and Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities, issued in June and November of 1999. The College now 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.

**UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

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, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Property taxes are recognized as revenue 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.

OPERATING REVENUES AND EXPENSES

Proprietary funds (enterprise) distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund is tuition and sale of educational material. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

BUDGETS

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by the Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles, except the property taxes received after year-end are not considered budgetary resources in the funds, depreciation on capital assets is not an expenditure of the funds, amortization of long-term assets is not an expenditure of the funds, inventory is not capitalized in the funds, and principal on debt services is an expenditure of the funds.

The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in spring with a public hearing being held approximately two weeks later. The Board may amend the budget prior to adoption. However, budgeted expenditures for each fund may not be increased by more than ten percent without re-publication. The budget is then adopted, appropriations are made, and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels for each fund:

LEVEL OF CONTROL

Instruction	Instructional Support
Community Services	Student Services
College Support Services	Other Uses – Debt Service and Interfund Transfers
Facilities Acquisition & Construction	Operating Contingency

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS (CONTINUED)

Budget amounts shown in the basic financial statements reflect the original budgeted appropriation amounts and final budgeted amounts including any changes that occurred during the year. Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2014. Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

PROPERTY TAXES RECEIVABLE

Uncollected real and personal property taxes are reflected on the statement of net position as receivables. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens. All property taxes receivable are due from property owners within the County.

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

GRANTS

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures are recorded as unearned revenue on the statement of net position and the balance sheet.

INVENTORIES

Inventories, primarily books and supplies, are valued at the lower of cost (first-in/first-out method) or market.

CAPITAL ASSETS

Capital assets include land, art, building and improvements, and equipment. The capitalization threshold is \$5,000 for all capital assets. Donated assets are recorded at their fair market value on the date donated. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add value or functionality to the asset are not capitalized, but are expensed as incurred.

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	10-15 years
Equipment	5-10 years
Land Improvements	50 years
Infrastructure	50 years
Intangible Assets	3 years

COMPENSATED ABSENCES

Employees of the College are permitted to accumulate earned but unused compensated absences. Compensated absences are recorded as a liability and an expense when earned. A liability does not exist for unpaid accumulated sick leave since College policy does not allow payment upon separation of service.

USE OF ESTIMATES

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

LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized fully in the period which they were incurred per GASB 65.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

During the 1996-1997 fiscal year, the State legislature passed HB 2610 that allows community colleges to incur bonded indebtedness.

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments are carried at fair value. During the year, investments were held in the Oregon Local Government Investment Pool which is authorized by Oregon law. For purposes of the statement of cash flows, cash, demand deposits, the Oregon Local Government Investment Pool and short-term investments purchased with original maturities of three months or less are considered to be cash and cash equivalents.

The College maintains depository insurance under Federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool which is exempt from statutes requiring such insurance.

LEASES

Leases which meet certain criteria established by the Financial Accounting Standards Board are classified as capital leases. Leases which do not meet criteria of a capital lease are classified as operating leases.

RETIREMENT PLAN

Substantially all employees are participants in the Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expense as funded.

NET POSITION

Net position comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position are classified in the following three categories:

Net Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – consists of all other assets that are not included in the other categories previously mentioned.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets and liabilities, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources. As a separate financial statement element, deferred outflows of resources, represents a consumption of net positions that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has no items that qualify for reporting in these category.

**UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

The cash management policies are governed by state statutes. Statutes authorize investing in bankers' acceptances, time certificates of deposit, commercial paper, repurchase agreements, obligations of the United States and its agencies and instrumentalities, Local Government Investment Pools and fixed or variable life insurance or annuity contracts for funding the deferred compensation plan.

Cash and Investments at June 30, 2014 (recorded at fair value) consisted of:

Deposits with Financial Institutions:	
Petty Cash	\$ 8,600
Demand Deposits	3,244,611
Investments	<u>6,739,384</u>
 Total Cash and Investments	 <u>\$ 9,992,595</u>

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

INVESTMENTS

Policies officially adopted by the Board allows investing in obligations of U.S. government agencies, U.S. Government Sponsored Enterprises (USGSE), the U.S. Treasury, time certificates of deposit, corporate bonds, repurchase agreements, money market investments, bankers' acceptances, commercial paper, obligations of the States of Oregon, California, Idaho, and Washington, and the State Treasurer's investment pool. The State Treasurer's investment policies are government by Oregon Revised Statutes and the Oregon Short-Term Fund Board (OSTFB).

There were no known violations of legal or contractual provisions for deposits.

As of June 30, 2014, the College had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
State Treasurer's investment pool	<u>\$ 6,739,384</u>	<u>\$ 6,739,384</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 6,739,384</u>	<u>\$ 6,739,384</u>	<u>\$ -</u>	<u>\$ -</u>

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2014 the fair value of the College's position in the LGIP approximates the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements.

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. Investment maturities are limited as follows:

Less than 30 days	10%
Less than 1 year	50%
Less than 18 months	65%
Less than 3 years	100%

Deposit Risk

At year-end, the net carrying amount of deposits was \$3,244,611 and the bank balance was \$3,683,657, of which \$250,000 was covered by federal depository insurance. Effective July 1, 2008, the Oregon State Treasurer became responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized to the extent required by Oregon Revised Statutes (ORS) Chapter 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third-party custodian bank securities having a value of 10%, 25% or 110% of public funds on deposit depending primarily on the capitalization level of the depository bank.

Concentration of Credit Risk

The Oregon Local Government Investment Pool is an open-ended, no-load diversified portfolio pool. The fair value of the College's position in the pool is substantially the same as the value of the College's participant balance. The investment in the Oregon Local Government Investment Pool is 100% of total investments.

The Oregon Local Government Investment Pool is an external investment pool which is part of the Oregon Short-Term Fund. Investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund does not receive credit quality ratings from nationally recognized statistical rating organizations. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund manages this risk by limiting the maturity of the investments held by the fund. Weighted average maturities of investments in the Oregon Short-Term Fund at June 30, 2014 can be found in the audited financial report of the fund on the State Treasurer's website.

3. ACCOUNTS/GRANTS RECEIVABLE

Accounts and grants receivable are comprised of claims for reimbursement of costs under various federal state and local grant programs. Management has estimated an allowance for uncollectible accounts receivable from students. Management expects to collect all grants receivable.

**UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2014 are as follows:

	<u>7/1/2013</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>6/30/2014</u>
Capital Assets Not Being Depreciated				
Land	\$ 156,353	\$ -	\$ -	\$ 156,353
Construction in Process	874,037	12,773	(132,694)	754,116
Musical Instrument Collection	-	49,200	-	49,200
Art	5,500	75,000	-	80,500
Total Capital Assets Not Being Depreciated	<u>1,035,890</u>	<u>136,973</u>	<u>(132,694)</u>	<u>1,040,169</u>
Capital Assets Being Depreciated				
Land Improvement	761,080		-	761,080
Infrastructure	1,893,548	-	-	1,893,548
Vineyard Development	-	18,424	-	18,424
Buildings & Improvements	26,879,549	347,950	-	27,227,499
Intangible Assets	327,818	-	-	327,818
Equipment	4,454,711	801,496	(42,863)	5,213,344
Total	<u>34,316,706</u>	<u>1,167,870</u>	<u>(42,863)</u>	<u>35,441,713</u>
Accumulated Depreciation				
Land Improvement	54,744	15,221	-	69,965
Infrastructure	151,484	37,871	-	189,355
Vineyard Development	-	2,193	-	2,193
Buildings & Improvements	12,913,193	704,585	-	13,617,778
Intangible Assets	300,501	27,317	-	327,818
Equipment	3,061,685	486,948	(42,863)	3,505,770
Total	<u>16,481,607</u>	<u>1,274,135</u>	<u>(42,863)</u>	<u>17,712,879</u>
Net capital assets being depreciated	<u>17,835,099</u>	<u>(106,265)</u>	<u>-</u>	<u>17,728,834</u>
Total Net Capital Assets	<u>\$ 18,870,989</u>			<u>\$ 18,769,003</u>

5. RETIREMENT PLAN

Plan Description:

Contributions are made to the Oregon Public Employees Retirement System (PERS), a state-wide cost-sharing multiple-employer defined benefit pension plan. Within PERS, Colleges comprise a cost-sharing component. Generally, employees who retire at or after age 55 or with 30 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 1.67% of their final average salary for each year of credited service. Final average monthly salary is based upon either the three calendar years out of the last ten calendar years of employment during which the highest salaries were earned or the last 36 calendar months of membership, whichever is larger. Employees become members of PERS after six months of service in a qualified position and benefits fully vest on reaching 5 years of service. Vested employees with fewer than 30 years of service will receive reduced benefits if retirement occurs prior to age 58. PERS also provides death and disability benefits. Benefits are established by State statute. The Oregon Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. RETIREMENT PLAN (CONTINUED)

Description of Funding Policy:

Covered employees are required by State statute to contribute 6% of their salary to the plan. The College is required to contribute at actuarially determined rates, as adopted by the PERS Board. The employer contribution rate effective January 1, 2011 was 10.09% of annual covered payroll for member employees of the State and Local Government Rate pool and 8.19% of annual covered payroll for member employees of the Oregon Public Service Retirement Plan. The contribution to the plan for the years ending June 30, 2014, 2013, and 2012 were \$1,416,502, \$869,570, and \$881,434, respectively, and were equal to the required contributions for each year.

Pension Asset

The pension asset is the result of the transfer of the pension bond proceeds to PERS to cover a portion of the College's share of the cost sharing plan's unfunded actuarial liability. This pension asset is being used to pay a portion of the annual required contribution. During the 2013-14 fiscal year, changes in the pension asset were as follows:

Asset balance- July 1, 2013	\$ 10,347,940
Investment income-(loss)	1,811,950
Contributions to cost sharing pool	<u>(749,829)</u>
Asset balance- June 30, 2014	<u><u>\$ 11,410,061</u></u>

6. POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The College administers a single-employer defined benefit health care plan. The plan provides post-employment health care benefits for eligible retirees (until age 65) and their spouses through the health care plan, which covers both active and retired participants. Benefit provisions are established through College policy. The criteria to determine eligibility includes employee age and years of service. The post employment health care plan does not issue a publicly available financial report. The College implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the year ending June 30, 2009.

Funding Policy

Contribution requirements are established through College policy. In general, the College contributes towards insurance premiums for retirees and their spouses the same amount contributed towards insurance premiums for active employees with the retirees paying the balance of the premiums. Funding is on a pay-as-you-go basis. During 2013-14, the College contributed \$128,644 to the plan.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a 30 year period. The following table shows the components of the annual OPEB cost for the year, amounts actually contributed to the plan, and changes in the net OPEB obligation:

	2013-14	2012-13	2011-12
Annual required contribution	\$ 170,206	\$ 204,643	\$ 204,643
Interest on net OPEB obligation	576	(1,646)	(1,907)
Adjustment to annual required contribution	(2,657)	6,842	7,928
Annual OPEB cost	168,125	209,839	210,664
Contributions made	(128,644)	(135,755)	(201,958)
Increase-(decrease) in net OPEB obligation	39,481	74,084	8,706
Net OPEB obligation (asset) - beginning of year	19,210	(54,874)	(63,580)
Net OPEB obligation (asset) - end of year	\$ 58,691	\$ 19,210	\$ (54,874)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013-14 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	\$ 210,664	95.9%	\$ (54,874)
6/30/2013	\$ 209,839	64.7%	\$ 19,210
6/30/2014	\$ 168,125	76.5%	\$ 58,691

Funded Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,015,085 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,015,085. The anticipated covered payroll (annual payroll of active employees covered by the plan) was \$4,371,556, and the ratio of the UAAL to the anticipated covered payroll was 23.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

**UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation conducted as of June 30, 2014, the entry age normal cost method was used. The unfunded actuarial accrued liability is being amortized using the level-dollar method over a 30-year period. Actuarial assumptions included a discount rate of 3% and an annual healthcare cost trend rate of 8% initially, reduced gradually to an ultimate rate of 5% over ten years.

7. OPERATING LEASES

There are four operating lease arrangements for the use of facilities for classrooms and operations. The first lease for the Diamond Lake Avenue building consists of a monthly payment of \$3,900 and expires on February 15, 2017. The second lease for the South County Center consists of a monthly payment of \$1,708 and expires on June 28, 2014. The third lease for the Umpqua Business Center consists of a monthly payment of \$1,931 and expires on June 20, 2016. The final lease for South Umpqua School District consists of a monthly payment of \$2,500.00 through July 1, 2018.

The lease obligations payable are not recorded in the Statement of Net Position. The lease expense for the year ended June 30, 2014 was \$108,666.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>		
2015	\$	99,973
2016		99,330
2017		61,200
2018		<u>30,000</u>
Total Minimum Future Rentals	\$	<u><u>290,503</u></u>

On September 1, 2013, the College entered into a lease with the South Umpqua School District which calls for monthly payments increasing by the Portland-Salem CPI at five-year intervals for the next 99 years. Discounted, the value of the future lease payments beyond 2018, or what is shown above, is \$4,092,642.

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. PROPERTY TAX LIMITATIONS

The voters of the State of Oregon approved ballot Measure 5, a constitutional limit on property taxes for schools and non-school government operations, in November 1990. School operations include community colleges, local school Colleges and education service Colleges. The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this initiative has been that Colleges have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue. The voters of the State of Oregon passed ballot Measure 50 in May, 1997 to further reduce property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit.

Measure 50 reduced the amount of operating property tax revenues available to the College for its 1997-98 fiscal year, and thereafter. This reduction is accomplished by rolling assessed property values back to their 1995-96 values less 10%, and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Measure also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State of Oregon to minimize the impact of the tax cuts to school Colleges. The State of Oregon, in its 2001 legislative session, provided additional State revenues for the 2002-2003 biennium to help alleviate the impact on school operations. The ultimate impact to the College as a result of this measure is not determinable at this time.

9. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College is covered through PACE and Umpqua Insurance Agency. The Commercial insurance is also carried for other risks of loss including workers' compensation coverage. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

10. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by grantor agencies cannot be determined at this time although management expects such amounts, if any, to be immaterial.

Management is not aware of any contingent liabilities that would require disclosure under Statements of Financial Accounting Standards Number 5, which include among other things: notes or accounts receivable which have been discounted; pending suits, proceedings, hearings, or negotiations possibly involving retroactive judgments or claims; taxes in dispute; endorsements or guarantees; and options given.

The College, in the regular course of business, is named as a defendant in various lawsuits. The likely outcome of these lawsuits is not presently determinable.

**UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

11. INTERFUND BALANCES AND TRANSFERS

The composition of interfund transfers as of June 30, 2014 is as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 200,000	\$ 2,080,941
Financial Aid Fund	52,539	-
Administratively Restricted Fund	90,000	1,670
Insurance Fund	255,923	-
Debt Service Fund	1,248,196	-
Capital Projects Fund	400,000	-
Internal Service Fund	-	-
Enterprise Fund	-	200,000
Agency Fund	35,953	-
	<u>\$ 2,282,611</u>	<u>\$ 2,282,611</u>

Transfers are used to fund operations between funds.

12. LONG TERM DEBT

Changes in long-term obligations for the year ended June 30, 2014 are as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due within One Year
Pension Bonds Payable	\$ 11,125,000	\$ -	\$ 275,000	\$ 10,850,000	\$ 325,000
Full Faith and Credit Obligations	3,825,000	-	135,000	3,690,000	135,000
Total	<u>\$ 14,950,000</u>	<u>\$ -</u>	<u>\$ 410,000</u>	<u>\$ 14,540,000</u>	<u>\$ 460,000</u>

Full Faith and Credit Obligations

In September 2010, \$4,250,000 of general obligation Full Faith and Credit Obligations, Series 2010 were issued to finance a real and personal property project. Principal payments are due annually in June through June 1, 2035 and interest payable in December and June of each year with rates ranging from 1.017% to 5.804%.

Pension Obligation Bonds

In February 2004, \$11,910,000 of limited Tax Pension Obligation Bonds were issued and transferred to the State of Oregon Public Employees Retirement System to cover a portion of the College's share of the cost sharing plan's unfunded actuarial liability. The resulting pension asset is being used to pay a portion of the annual required contribution. Principal payments are due annually in June through June 30, 2028 and interest payable in December and June of each year with rates ranging from 4.05% to 5.53%.

**UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

12. LONG TERM DEBT (CONTINUED)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014-2015	325,000	589,084	914,084
2015-2016	375,000	573,169	948,169
2016-2017	435,000	554,430	989,430
2017-2018	500,000	532,258	1,032,258
2018-2019	570,000	506,273	1,076,273
2019-2024	4,135,000	1,976,757	6,111,757
2024-2029	4,510,000	593,923	5,103,923
	<u>\$ 10,850,000</u>	<u>\$ 5,325,894</u>	<u>\$ 16,175,894</u>

Future bonded debt requirements for the pension bond issue are as follows:

Future maturities for the Full Faith and Credit Obligations, Series 2010:

The Full Faith and Credit Obligations were issued through the United States Department of Treasury Recovery Zone Economic Development Bonds program. The College received debt service subsidies of \$79,329 during the fiscal year ended June 30, 2014. Future subsidies expected to be received from the Department of Treasury total \$1,048,923. The IRS announced that effective October 1, 2013 the amount of refundable credit received will be reduced by 7.2%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014-2015	135,000	189,136	324,136
2015-2016	140,000	185,860	325,860
2016-2017	140,000	181,424	321,424
2017-2018	145,000	176,568	321,568
2018-2019	145,000	170,940	315,940
2019-2024	785,000	750,906	1,535,906
2024-2029	905,000	532,208	1,437,208
2029-2034	1,060,000	256,338	1,316,338
2034-2039	235,000	13,640	248,640
	<u>\$ 3,690,000</u>	<u>\$ 2,457,020</u>	<u>\$ 6,147,020</u>

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

13. RECONCILIATION OF BUDGETARY FUND BALANCES TO NET POSITION

Total Budgetary Fund Balances as of June 30, 2014:

General	\$ 5,050,768
Financial Aid	-
Administratively Restricted	1,106,182
Special Projects - Grants and Contracts	272,547
Insurance	284,966
Debt Service	2,306,183
Capital Projects	522,083
Internal Service	164
Enterprise	905,049
Agency	33,952
Total Fund Balances	<u>\$ 10,481,893</u>

Reconciliation of Budgetary Fund Balances to Net Position:

Budgetary Fund Balance	\$ 10,481,893
State Revenue Accrual	(3,735,043)
Noncurrent Assets, net	30,179,064
Noncurrent Liabilities, net	(14,598,691)
Deferred Revenue on Property Taxes	397,477
Compensated Absences	(332,352)
Pension Asset Market Adjustment	4,672,985
	<u>\$ 27,065,333</u>

14. RESTATEMENT OF BEGINNING NET POSITION

In prior years, the College recognized bond issuance costs as an amortized expense accounted for over the maturity of the related bonds. Per GASB 65, these bond issuance costs are no longer considered a resource that can be used to provide a service and must therefore have been recognized fully in the period which they were incurred, resulting in a restatement of beginning net position for the current year.

Beginning Net Position	23,914,179
(Less) Restatement per GASB 65	<u>(165,546)</u>
Restated Net Position	<u>23,748,633</u>

UMPQUA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Umpqua Community College Foundation (the Foundation) was formed to encourage, receive and administer gifts and bequests for the support of Umpqua Community College (the College) and its students. The majority of the contributions received by the Foundation are made by residents or entities that are located primarily in Douglas County, Oregon.

The College provides assistance to the Foundation with the use of College facilities, equipment and shared staffing costs for the operation and administration of the Foundation's activities. The value of this assistance has been recorded as in-kind support and expenses in these financial statements. See also Note 6.

B. BASIS OF ACCOUNTING

The financial statements of the Foundation have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenditures are recognized when incurred.

C. FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification 958 (formerly the Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*).

The Foundation is required to report information regarding its net assets and revenues, expenses, gains, and losses, which are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as one of three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated by the board of directors for specific purposes, but these designations can be changed as future circumstances dictate.

Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets

Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

UMPQUA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. INVESTMENT AND SPENDING POLICY

The Foundation has an investment guidelines policy that was originally adopted in 1999 and has been subsequently revised as considered necessary. The Foundation's investment advisors are given wide discretion in the selection of the investment portfolio. The portfolio may include common stocks, preferred stocks, convertibles, government bonds, corporate bonds, and cash equivalents. In order to manage risk, the portfolio shall be highly diversified with representation in all market sectors. The Foundation is currently in the process of reviewing and modifying its investment policy.

Oregon Revised Statutes 128.305 to 128.336 cited as the Uniform Prudent Management of Institutional Funds Act establishes requirements for the management and expenditure of endowment funds. The Foundation has not adopted a spending policy which would further limit its spending choices.

E. CASH AND CASH EQUIVALENTS AND CASH HELD FOR INVESTMENT PURPOSES

For purposes of the statement of cash flows, the Foundation considers all highly liquid, debt instruments purchased with an original maturity of three months or less to be cash equivalents.

F. ALLOWANCE FOR DOUBTFUL PLEDGES AND PLEDGES PAST DUE

The allowance method is used to provide for uncollectible pledges receivable. At June 30, 2014, management believed that all pledges receivable are fully collectible. At June 30, 2014, the balance of pledges receivable past due ninety days or more was \$5,250. See Note 3.

G. PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises made by donors to give to the Foundation. Such amounts are recorded as contribution revenue at the time the unconditional promise is made, with an allowance made for estimated uncollectible amounts as considered necessary. The balance of pledges receivable at June 30, 2014 was \$388,952. See Note 3.

H. INVENTORY

Inventory consisted primarily of vehicles donated to the automotive program as learning tools. The vehicles are recorded at their estimated fair value when received, and are either sold or scrapped once the automotive program has finished working with them. Inventory is stated at lower of cost or fair value and is expensed using the specific identification method. See Note 4.

I. COLLECTIONS

The permanent art collection and musical instrument collection are stated at cost or, for contributed assets, at their estimated fair value on the date of donation. Management expects that these assets will retain or appreciate in value, and are not subject to depreciation. During the year ended June 30, 2014, the Foundation donated the majority of the art collection and all of the musical instrument collection to the College. The remaining collection consists of historical artifacts related to the production of wine.

UMPQUA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. DONATED ASSETS

Donated marketable securities and other non-cash donations are recorded as contributions when received. Marketable securities are usually valued at their quoted, actively-traded market price at the end of the trading day as of the date of donation. Other donated assets are valued at their estimated fair value on the date donated.

K. INVESTMENTS

Investments are carried at fair value in the statement of financial position, and realized and unrealized gains and losses are reflected in the statement of activities. Gains and losses are reported as increases or decreases in the unrestricted class of net assets unless the donor places temporary or permanent restrictions on the gains and losses. Investment income is also reported as an increase in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the nature of restrictions. Substantially all of the Foundation's investments are managed by professional investment advisors chosen by the Foundation. See Note 5.

L. INCOME TAX STATUS

Under Section 501(c)(3) of the Internal Revenue Code, the Foundation is exempt from taxes on income other than unrelated business income. The Foundation had no unrelated business income during the year ended June 30, 2014, and accordingly, no provision for income taxes has been made in these financial statements. The informational federal Form 990 is filed annually along with an annual state filing required by the Oregon Department of Justice. The Foundation's management is not aware of any uncertain tax positions which could affect their tax-exempt status or lead to a change in their tax liabilities. At June 30, 2014, the federal and state returns for the tax years 2010 through 2013 remained open to examination.

M. ADVERTISING COSTS

Advertising costs are expensed as incurred. Total advertising expense was \$838 for the year ended June 30, 2014. These expenses were reported as advertising expense in the management and general category in the statement of functional expenses.

N. FUNDRAISING EXPENSES

The Foundation acts as a fiduciary for several clubs and programs that support activities and groups at the College. For purposes of the statement of functional expenses, any fundraising that the clubs and programs do is presented as program support expense rather than fundraising expense.

O. ESTIMATES

The preparation of financial statements in conformity 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UMPQUA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. SUBSIDIARIES AND CONTROLLED ENTITIES

The Foundation has invested in a wholly-owned subsidiary and transferred assets to a controlled entity. See Note 12 for further information on these two entities. Accounting principles generally accepted in the United States of America (U.S. GAAP) require that consolidated financial statements be presented when an entity has wholly-owned subsidiaries or controlled entities. The Foundation has recorded its investment in these two entities using the equity method of accounting for investments rather than presenting consolidated financial statements. The investments are carried at cost, adjusted for the Foundation's proportionate share of their undistributed earnings or losses.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30, 2014:

Cash on Hand	\$ 250
Cash Deposits with Financial Institutions	610,042
Cash Equivalents in Money Market Accounts	<u>349,795</u>
Total Cash and Cash Equivalents	<u>\$ 960,087</u>

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2014 were as follows:

Receivable in less than one year	\$ 68,868
Receivable in one to five years	<u>320,084</u>
Total Contributions Receivable	388,952
Less: discounts to net present value	<u>(16,595)</u>
Net Contributions Receivable	<u>\$ 372,357</u>

The discount to net present value was computed using 2.8%, which was the applicable federal rate (AFR) at the time the pledges were originally made.

NOTE 4 – INVENTORIES

Inventories consisted of several donated autos valued at \$1,050 at June 30, 2014.

UMPQUA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – INVESTMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, establishes a 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 under FASB ASC 820-10 are described as follows:

- Level 1 – Quoted prices in active markets for identical securities.
- Level 2 – Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others).
- Level 3 – Significant unobservable inputs.

The asset's 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.

Investments in mutual funds and asset backed securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments may result in a different value measurement at the reporting date.

Substantially all of the Foundation's investments were held in investment portfolios managed by two separate investment advisory firms chosen by the Foundation. Fair value at June 30, 2014 for the Foundation's investments was as follows:

	<u>Fair Value – Level 1</u>
Equities:	
Common Stocks and Mutual Funds	\$ 7,138,381
Other Equities	596,253
Fixed Income	1,467,978
Accrued Interest	<u>21,898</u>
Total Investments	<u>\$ 9,224,510</u>

UMPQUA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – INVESTMENTS (Continued)

The following summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2014. Investment income includes revenues from investments managed by the Foundation’s investment advisors (including money market accounts) and interest on investments held by the Foundation.

	Based on			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Investment income, net of \$53,945 investment expenses	\$ 1,396	\$ 149,317	\$ --	\$ 150,713
Net realized gains (losses) on investments	4,343	472,278	--	476,621
Net unrealized gains (losses) on investments	5,999	627,695	--	633,694
Equity in net income of affiliates	<u>(29,780)</u>	<u>12,744</u>	<u>--</u>	<u>(17,036)</u>
Total	<u>\$ (18,042)</u>	<u>\$ 1,262,034</u>	<u>\$ --</u>	<u>\$ 1,243,992</u>

The Foundation’s investments are diversified in a variety of equity and debt securities. However, the Foundation’s investments are subject to market fluctuations which could dramatically affect the fair value of these assets. The Foundation’s investments are held by third-party custodians and are subject to custodial risk.

NOTE 6 – DONATED FACILITIES AND OTHER IN-KIND SUPPORT

The Foundation receives the rent-free use of their facilities, staffing costs, and other in-kind support from Umpqua Community College. The total value of this support for the year ended June 30, 2014 was \$242,832 and was comprised of the following:

In-Kind Payroll, Payroll Taxes, and Benefits	\$ 192,491
In-Kind Occupancy Costs	18,000
In-Kind Operating Expenses	26,988
In-Kind Staff Travel	<u>5,353</u>
Total College In-Kind Support	<u>\$ 242,832</u>

The revenue is presented on the statement of activities, and the expenses are presented in the statement of functional expenses in these financial statements.

NOTE 7 – BOARD DESIGNATED NET ASSETS

Board designated net assets, totaling \$119,741 at June 30, 2014 consisted of unrestricted net assets designated by the Foundation’s Board of Directors for the purpose of establishing Funds for Innovation and for establishing a contingency fund.

UMPQUA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

The Foundation's temporarily restricted net assets as of June 30, 2014 consisted of the following:

Restricted for scholarships to students	\$ 3,121,750
Restricted for loans to students	106,407
Restricted for other student support	7,560
Restricted for nursing instruction	(7,776)
Restricted for Southern Oregon Wine Institute	(171,057)
Restricted for UCC club and program support	<u>141,761</u>
Total temporarily restricted net assets	<u>\$ 3,198,645</u>

Temporarily restricted net assets of \$870,399 were released from donor restrictions during the year by incurring expenses satisfying the restricted purposes specified by the donors.

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2014 consisted primarily of endowment funds which are permanently restricted as stipulated by the donors. These monies are invested by the Foundation and the earnings from the investments are used primarily to provide scholarships for students of the College. Permanently restricted net assets at June 30, 2014 consisted of the following:

Restricted for endowments	\$ 7,164,004
Restricted for art gallery	<u>110,000</u>
Total permanently restricted net assets	<u>\$ 7,274,004</u>

NOTE 10 – ENDOWMENTS

Umpqua Community College Foundation's endowment consisted of 87 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (Act) as requiring the preservation of the fair value of the original gift as of the date of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by the Act.

UMPQUA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 – ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended June 30, 2014 were as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,409,025	\$ 4,481,734	\$ 6,890,759
Contributions	21,597	2,333,830	2,355,427
Investment income	195,132	-	195,132
Net realized and unrealized appreciation	1,057,099	-	1,057,099
Appropriation of endowment assets for expenditure	(389,057)	-	(389,057)
Other changes (see Note 14)	<u>(428,683)</u>	<u>458,440</u>	<u>29,757</u>
Endowment net assets, end of year	<u>\$ 2,865,113</u>	<u>\$ 7,274,004</u>	<u>\$ 10,139,117</u>

NOTE 11 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2014, the Foundation purchased goods and services from many local and regional businesses, which are either wholly owned, partially owned, or employ certain members of the Foundation's Board of Directors. Legal services were provided to the Foundation and its related entities by a law firm partially owned by a member of the Board of Directors in the amount of \$5,533.

A member of the Board of Directors partially owns an insurance agency that the Foundation purchases some of its insurance policies through, and the agency receives a commission on the sale of the policy. The spouses of two of the members of the Board of Directors are employed at an investment advisory firm that the Foundation hires to manage part of its investments. The total amount of investment fees paid to this investment firm was \$18,598 during the year. The Foundation also conducts business with regional banks which also employ certain members of the Board of Directors.

Effective February 28, 2014, the Foundation's board approved a loan to a wholly-owned subsidiary, Hundred Valleys Management Services Corp. (HVMS – see also Note 12). The funds were used to cover HVMS's initial start-up costs and provide it with operating capital. The principal portion of the note receivable is unsecured and due and payable in full in February 2019. During the term of the note, interest accrues at 1.65% per annum, payable annually to the Foundation. The amount of the note receivable at June 30, 2014 was \$28,678. The amount of interest income received by the Foundation on this note during the year was \$158.

UMPQUA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 – RELATED PARTY TRANSACTIONS (Continued)

Effective February 28, 2014, the Foundation's board approved a loan to a controlled entity, UCC Foundation Holding Company, Inc. (Holding Company - see also Note 12). The funds were used to cover the Holding Company's initial start-up costs and provide it with operating capital. The principal portion of the note receivable is unsecured and due and payable in full in February 2019. During the term of the note, interest accrues at 1.65% per annum, payable annually to the Foundation. The amount of the note receivable at June 30, 2014 was \$20,646. The amount of interest income received by the Foundation on this note during the year was \$114.

NOTE 12 – SUBSIDIARIES AND CONTROLLED ENTITIES

During the year ended June 30, 2014, the Foundation purchased 100 shares of stock in Hundred Valleys Management Services Corp. (HVMS), an Oregon corporation. The Foundation owns 100% of the outstanding stock of HVMS. The Foundation accounts for its investment in HVMS using the equity method, which is a departure from U.S. GAAP (See Note 1P). At June 30, 2014, the Foundation's share of HVMS's losses is greater than its carrying value. The Foundation is continuing to account for this investment using the equity method as it is committed to further financial support of HVMS as necessary. Consequently, the investment in HVMS is currently shown as a liability on the statement of financial position.

Following is a summary of financial position and results of operations of HVMS as of June 30, 2014:

Current Assets	\$ 24,625
Property and Equipment, net	733
Other Assets	<u>15,975</u>
Total Assets	<u>\$ 41,333</u>
Current Liabilities	\$ 15,713
Long-Term Liabilities	<u>29,678</u>
Total Liabilities	<u>\$ 45,391</u>
Accumulated Deficit	\$ (4,058)
Income	\$ 3,000
Net Loss	\$ (14,058)

UMPQUA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 – SUBSIDIARIES AND CONTROLLED ENTITIES (Continued)

During the year ended June 30, 2014, the Foundation formed the UCC Foundation Holding Company, Inc. (Holding Company). This is a separate entity defined under IRC Section 501(c)(2), and established for the purpose of holding and managing assets for the sole benefit of the Foundation. This entity is controlled by the Foundation, as the Foundation's board controls the appointment of the board members of the Holding Company. Per IRS regulations, any remaining net income of the Holding Company at the end of the year must be subsequently transferred to the Foundation. For the period ended June 30, 2014, the Holding Company showed a net loss. Consequently, no receivable has been booked on the Foundation's financial statements. This investment is accounted for by the Foundation using the equity method, which is a departure from U.S. GAAP (See Note 1P).

Following is a summary of financial position and results of operations of the Holding Company as of June 30, 2014:

Current Assets	\$ 36,394
Property and Equipment, net	1,023,500
Other Assets	<u>1,000</u>
Total Assets	<u>\$ 1,060,894</u>
Current Liabilities	\$ 1,225
Long-Term Debt	<u>20,646</u>
Total Liabilities	<u>\$ 21,871</u>
Equity	\$ 1,039,023
Rental Income	\$ 30,000
Change in Net Assets	\$ (2,977)

At June 30, 2014, the equity in the net assets and share of deficits of companies carried at cost was \$1,034,965, net.

The equity in the losses of companies carried at cost was \$(17,036).

NOTE 13 – CONCENTRATIONS OF CREDIT RISK AND CASH DEPOSITS

The Foundation maintains its cash and cash equivalent balances with one regional bank. Interest-bearing bank accounts are insured for up to \$250,000 for each account by the Federal Deposit Insurance Corporation (FDIC). The Foundation's uninsured cash balances totaled \$563,149 at June 30, 2014.

The majority of the Foundation's donors reside in Douglas County, Oregon. Approximately 81% of the contributions receivable is due from various members of the Board of Directors.

UMPQUA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 – TRANSFERS BETWEEN RESTRICTIONS

During the year ended June 30, 2014, it was discovered by Foundation management that several endowment funds either did not have any permanently restricted net assets, or an incorrect amount of permanently restricted net assets. Foundation management reviewed their records of the original donations, and based on this review, determined the correct amount of permanently restricted net assets for each endowment fund. To correct these inconsistencies, one-time transfers were recorded to reclassify net assets from the temporarily restricted balances to the permanently restricted balances of those affected endowment funds. This restored each affected endowment's corpus to what was agreed to by the Foundation based on the donors' intentions. For financial statement purposes, this was recorded on the statement of activities as a change in estimate and presented as a separate line-item. This change in estimate had no effect on the total change in net assets reported for the year ended June 30, 2014.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent to year end, the Foundation's Board of Directors approved the Foundation's commitment to making a contribution pledge payable to the College for \$500,000. This contribution is to be applied toward the College's capital campaign fund for the construction of a new Health, Nursing, and Sciences Building on the College's campus. The terms for payment of the pledge have not yet been agreed upon.

In preparing these financial statements, the Foundation's management has evaluated subsequent events and transactions for potential recognition or disclosure through October 30, 2014, which represents the date that the financial statements were available for issuance.

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

**UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON**

For period ending June 30, 2014

**Schedule of Funding Progress
for Retiree Health Plan**

Actuarial Valuation Date	Actuarial Value of Plan Assets	EAN Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Estimated Covered Payroll	UAAL as a Percent of Covered Payroll
06/30/10	\$ -	\$ 1,068,383	\$ 1,068,383	\$ -	\$5,154,425	20.70%
06/30/12	\$ -	\$ 1,297,634	\$ 1,297,634	\$ -	\$4,518,654	28.70%
06/30/14	\$ -	\$ 1,015,058	\$ 1,015,085	\$ -	\$4,371,556	23.20%

***The actuary did not provide data as of 6/30/2013

**Schedule of Contributions
for Retiree Health Plan**

Fiscal Year Ended	Annual OPEB Cost	Estimated Annual Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/12	\$ 210,664	\$ 201,958	95.9%	\$ (54,874)
06/30/13	\$ 209,839	\$ 135,755	64.7%	\$ 19,210
06/30/14	\$ 168,125	\$ 128,616	76.5%	\$ 58,691

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

SUPPLEMENTARY INFORMATION

UMPQUA COMMUNITY COLLEGE
Roseburg, Oregon
Schedule of Revenues, Expenditures and Changes in
Fund Balance-Budget and Actual
GENERAL FUND
For period ending June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property taxes	\$ 3,130,676	\$ 3,130,676	\$ 3,287,738	\$ 157,062
Tuition and fees	6,878,304	6,878,304	5,946,297	(932,007)
Intergovernmental-state and federal	11,000,000	11,000,000	11,077,003	77,003
Interest income	35,000	35,000	24,208	(10,792)
Other	289,095	289,095	286,562	(2,533)
Total revenues	21,333,075	21,333,075	20,621,808	(711,267)
Expenditures:				
Instruction	8,846,580	8,846,580 (1)	8,552,399	294,181
Instructional Support	1,891,399	1,891,399 (1)	1,683,951	207,448
Student Services	1,973,376	1,973,376 (1)	1,809,363	164,013
College Support Services	7,558,506	7,558,506 (1)	6,828,305	730,201
Financial Aid	501,124	501,124 (1)	359,029	142,095
Contingency	1,827,423	1,827,423 (1)	-	1,827,423
Total expenditures	22,598,408	22,598,408	19,233,047	3,365,361
Revenues over-(under) expenditures	(1,265,333)	(1,265,333)	1,388,761	2,654,094
Other financing sources-(uses)				
Transfers in	200,100	200,100	200,000	(100)
Transfer out	(2,081,805)	(2,081,805) (1)	(2,080,941)	864
Total other financing sources-(uses)	(1,881,705)	(1,881,705)	(1,880,941)	764
Net change in fund balance	(3,147,038)	(3,147,038)	(492,180)	2,654,858
Fund Balance - July 1, 2013	4,200,000	4,200,000	5,542,948	1,342,948
Fund Balance - June 30, 2014	<u>\$ 1,052,962</u>	<u>\$ 1,052,962</u>	<u>\$ 5,050,768</u>	<u>\$ 3,997,806</u>

(1) Appropriation level

UMPQUA COMMUNITY COLLEGE
Roseburg, Oregon
Schedule of Revenues, Expenditures and Changes in
Fund Balance-Budget and Actual
FINANCIAL AID FUND
For period ending June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Intergovernmental - federal	\$ 40,237,570	\$ 40,237,570	\$ 10,194,591	\$ (30,042,979)
Intergovernmental - state	1,415,000	1,415,000	628,159	(786,841)
Local & Private Grants	2,000,000	2,000,000	443,814	(1,556,186)
Total revenues	43,652,570	43,652,570	11,266,564	(32,386,006)
Expenditures:				
Student Loans and Financial Aid	43,705,256	43,705,256 (1)	11,319,103	32,386,153
Revenues over-(under) expenditures	(52,686)	(52,686)	(52,539)	147
Other financing sources-(uses)				
Transfers in	52,686	52,686	52,539	147
Net change in fund balance	-	-	-	-
Fund Balance - July 1, 2013	-	-	-	-
Fund Balance - June 30, 2014	\$ -	\$ -	\$ -	\$ -

(1) Appropriation level

UMPQUA COMMUNITY COLLEGE
Roseburg, Oregon
Schedule of Revenues, Expenditures and Changes in
Fund Balance-Budget and Actual
ADMINISTRATIVELY RESTRICTED FUND
For period ending June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Tuition and fees	\$ 1,907,601	\$ 1,907,601	\$ 1,665,255	\$ (242,346)
Local/Private Grants & Contracts	-	93,712	57,656	(36,056)
Interest income	-	-	7,147	7,147
Other	1,145,539	1,122,477	525,661	(596,816)
Total revenues	<u>3,053,140</u>	<u>3,123,790</u>	<u>2,255,719</u>	<u>(868,071)</u>
Expenditures:				
Instruction	1,996,035	1,996,035 (1)	1,281,914	714,121
Instruction Support	680,164	695,164 (1)	414,272	280,892
Community Services	108,600	108,600 (1)	80,448	28,152
Student Services	1,442,401	1,442,401 (1)	615,379	827,022
College Support Services	295,620	354,712 (1)	328,686	26,026
Contingency	27,965	27,965 (1)	-	27,965
Total expenditures	<u>4,550,785</u>	<u>4,624,877</u>	<u>2,720,698</u>	<u>1,904,179</u>
Revenues over-(under) expenditures	<u>(1,497,645)</u>	<u>(1,501,087)</u>	<u>(464,979)</u>	<u>1,036,108</u>
Other financing sources-(uses)				
Transfers in	90,000	90,000	90,000	-
Transfers Out	(10,000)	(10,000) (1)	(1,670)	(8,330)
Total other financing sources-(uses)	<u>80,000</u>	<u>80,000</u>	<u>88,330</u>	<u>8,330</u>
Net change in fund balance	<u>(1,417,645)</u>	<u>(1,421,087)</u>	<u>(376,649)</u>	<u>1,044,438</u>
Fund Balance - July 1, 2013	<u>1,417,645</u>	<u>1,421,087</u>	<u>1,482,831</u>	<u>61,744</u>
Fund Balance - June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,106,182</u>	<u>\$ 1,106,182</u>

(1) Appropriation level

UMPQUA COMMUNITY COLLEGE
Roseburg, Oregon
Schedule of Revenues, Expenditures and Changes in
Fund Balance-Budget and Actual
SPECIAL PROJECTS FUND - GRANTS & CONTRACTS
For period ending June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental-federal	\$ 3,056,589	\$ 3,352,499	\$ 2,442,198	\$ (910,301)
Intergovernmental-state	305,479	\$ 1,263,659	\$ 653,722	\$ (609,937)
Nongovernmental grants and contracts	821,115	1,016,115	562,027	(454,088)
Other	-	-	5,692	5,692
Total revenues	4,183,183	5,632,273	3,663,639	(1,968,634)
Expenditures:				
Instruction	2,073,671	2,088,996 (1)	1,293,602	795,394
Instructional Support	348,265	1,172,637 (1)	469,275	703,362
College Support Services	-	70,997 (1)	22,809	
Community Services	60,000	60,000 (1)	-	60,000
Student Services	1,701,247	2,239,693 (1)	1,607,279	632,414
Total expenditures	4,183,183	5,632,323	3,392,965	2,239,358
Revenues over-(under) expenditures	-	(50)	270,674	270,724
Fund Balance - July 1, 2013	-	50	1,873	1,823
Fund Balance - June 30, 2014	\$ -	\$ -	\$ 272,547	\$ 272,547

(1) Appropriation level

UMPQUA COMMUNITY COLLEGE
Roseburg, Oregon
Schedule of Revenues, Expenditures and Changes in
Fund Balance-Budget and Actual
INSURANCE FUND
For period ending June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Interest	\$ 1,300	\$ 1,300	\$ 1,329	\$ 29
Expenditures:				
College Support Services	466,800	466,800 (1)	269,107	197,693
Contingency	70,000	70,000 (1)	-	70,000
Total expenditures	536,800	536,800	269,107	267,693
Revenues over-(under) expenditures	(535,500)	(535,500)	(267,778)	267,722
Other financing sources-(uses)				
Transfers in	255,923	255,923	255,923	-
Net change in fund balance	(279,577)	(279,577)	(11,855)	267,722
Fund Balance - July 1, 2013	279,577	279,577	296,820	17,243
Fund Balance - June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 284,966</u>	<u>\$ 284,966</u>

(1) Appropriation level

UMPQUA COMMUNITY COLLEGE
Roseburg, Oregon
Schedule of Revenues, Expenditures and Changes in
Fund Balance-Budget and Actual
DEBT SERVICE FUND
For period ending June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Intergovernmental-federal	\$86,434	\$86,434	\$79,329	-\$7,105
Interest income	10,000	10,000	12,607	2,607
	<u>96,434</u>	<u>96,434</u>	<u>91,936</u>	<u>(4,498)</u>
Expenditures:				
Debt service:				
Principal	410,000	410,000	410,000	-
Interest	801,352	801,352	796,513	4,839
	<u>1,211,352</u>	<u>1,211,352</u>	<u>1,206,513</u>	<u>4,839</u>
Total expenditures	1,211,352	1,211,352	1,206,513	4,839
Revenues over-(under) expenditures	<u>(1,114,918)</u>	<u>(1,114,918)</u>	<u>(1,114,577)</u>	<u>341</u>
Other financing sources-(uses)				
Transfers in	<u>1,238,196</u>	<u>1,238,196</u>	<u>1,248,196</u>	<u>10,000</u>
Net change in fund balance	123,278	123,278	133,619	10,341
Fund Balance - July 1, 2013	<u>2,170,590</u>	<u>2,170,590</u>	<u>2,172,564</u>	<u>1,974</u>
Fund Balance - June 30, 2014	<u>\$ 2,293,868</u>	<u>\$ 2,293,868</u>	<u>\$ 2,306,183</u>	<u>\$ 12,315</u>

(1) Appropriation level

UMPQUA COMMUNITY COLLEGE
Roseburg, Oregon
Schedule of Revenues, Expenditures and Changes in
Fund Balance-Budget and Actual
CAPITAL PROJECTS FUND
For period ending June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
Revenue:				
Interest income	\$ 500	\$ 500	\$ 2,912	\$ 2,412
Intergovernmental-state	-	-	126,355	126,355
Total revenues	500	500	129,267	128,767
Expenditures:				
Facilities acquisition / construction	19,562,000	19,562,000 (1)	759,034	18,802,966
Total expenditures	19,562,000	19,562,000	759,034	18,802,966
Revenues over-(under) expenditures	(19,561,500)	(19,561,500)	(629,767)	18,931,733
Other financing sources-(uses)				
Transfers in	400,000	400,000	400,000	-
Transfer out	(100)	(100) (1)	-	100
Debt Service Proceeds	18,400,000	18,400,000	-	(18,400,000)
Total other financing sources-(uses)	18,799,900	18,799,900	400,000	(18,399,900)
Net change in fund balance	(761,600)	(761,600)	(229,767)	531,833
Fund Balance - July 1, 2013	761,600	761,600	751,850	(9,750)
Fund Balance - June 30, 2014	\$ -	\$ -	\$ 522,083	\$ 522,083

(1) Appropriation level

UMPQUA COMMUNITY COLLEGE
Roseburg, Oregon
Schedule of Revenues, Expenditures and Changes in
Fund Balance-Budget and Actual
INTERNAL SERVICE FUND
For period ending June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Tuition and Fees	\$ -	\$ -	\$ 118	\$ 118
Interest income	-	-	99	99
Other	<u>150,000</u>	<u>150,000</u>	<u>152,427</u>	<u>2,427</u>
Total revenues	150,000	150,000	152,643	2,643
Expenditures:				
College Support Services	<u>236,500</u>	<u>236,500</u> (1)	<u>195,729</u>	<u>40,771</u>
Total expenditures	236,500	236,500	195,729	40,771
Revenues over-(under) expenditures	<u>(86,500)</u>	<u>(86,500)</u>	<u>(43,086)</u>	<u>43,414</u>
Fund Balance - July 1, 2013	<u>86,500</u>	<u>86,500</u>	<u>43,250</u>	<u>(43,250)</u>
Fund Balance - June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164</u>	<u>\$ 164</u>

(1) Appropriation level

UMPQUA COMMUNITY COLLEGE
Roseburg, Oregon
Schedule of Revenues, Expenditures and Changes in
Fund Balance-Budget and Actual
ENTERPRISE FUND
For period ending June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Sales	\$ 3,441,610	\$ 3,441,610	1,687,612	\$ (1,753,998)
Interest income	-	-	4,766	4,766
Total revenues	3,441,610	3,441,610	1,692,378	(1,749,232)
Expenditures:				
Student Services	3,966,610	3,966,610 (1)	1,697,471	2,269,139
Contingency	200,000	200,000 (1)	-	200,000
Total expenditures	4,166,610	4,166,610	1,697,471	2,469,139
Revenues over-(under) expenditures	(725,000)	(725,000)	(5,093)	719,907
Other financing sources-(uses)				
Transfer out	(250,000)	(250,000) (1)	(200,000)	50,000
Total other financing sources-(uses)	(250,000)	(250,000)	(200,000)	50,000
Net change in fund balance	(975,000)	(975,000)	(205,093)	769,907
Fund Balance - July 1, 2013	975,000	975,000	1,110,142	135,142
Fund Balance - June 30, 2014	\$ -	\$ -	\$ 905,049	\$ 905,049

(1) Appropriation level

UMPQUA COMMUNITY COLLEGE
Roseburg, Oregon
Schedule of Revenues, Expenditures and Changes in
Fund Balance-Budget and Actual
AGENCY FUNDS
For period ending June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Other	\$ 43,700	\$ 43,700	\$ 11,335	\$ (32,365)
Total revenues	43,700	43,700	11,335	(32,365)
Expenditures:				
Student Services	107,671	107,671 (1)	33,806	73,865
Contingency	382	382 (1)	-	382
Total expenditures	108,053	108,053	33,806	74,247
Revenues over-(under) expenditures	<u>(64,353)</u>	<u>(64,353)</u>	<u>(22,471)</u>	<u>41,882</u>
Other financing sources-(uses)				
Transfers in	45,000	45,000	35,953	(9,047)
Net change in fund balance	(19,353)	(19,353)	13,482	32,835
Fund Balance - July 1, 2013	<u>19,353</u>	<u>19,353</u>	<u>20,470</u>	<u>1,117</u>
Fund Balance - June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,952</u>	<u>\$ 33,952</u>

(1) Appropriation level

UMPQUA COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

	Grant Period	Federal CFDA Number	Program or Award Amount	2013-14 Revenue	2013-14 Expenditures
Student Financial Aid Cluster					
<u>U.S. Department of Education:</u>					
Student Financial Aid Programs:					
Federal Pell Grant Program	2013-2014	84.063	5,328,019	5,328,019	5,328,019
Federal Direct Loan Program	2012-2013	84.268	-967	-967	-967
Federal Direct Loan Program	2013-2014	84.268	4,662,866	4,662,866	4,662,866
Federal Work-Study Program	2013-2014	84.033	106,925	106,925	106,925
Federal Supplemental Educational Opportunity Grant	2013-2014	84.007	97,748	97,748	97,748
<i>Total SFA Cluster U.S. Department of Education</i>			10,194,591	10,194,591	10,194,591 (1)
Total Student Financial Aid Cluster			10,194,591	10,194,591	10,194,591
<u>U.S. Department of Education:</u>					
TRIO - Student Support Services	2012-2013	84.042A	269,486	36,705	36,705 (1)
TRIO - Student Support Services	2013-2014	84.042A	255,392	218,685	218,685 (1)
TRIO - Talent Search	2012-2013	84.044A	230,000	38,158	38,158 (1)
TRIO - Talent Search	2013-2014	84.044A	217,971	181,113	181,113 (1)
TRIO - Upward Bound	2013-2014	84.047A	248,771	191,420	191,420 (1)
TRIO - Upward Bound	2012-2013	84-047A	262,500	68,468	68,468 (1)
Child Care Access Means Parents in School	2012-2013	84.335A	29,158	21,477	21,477
Child Care Access Means Parents in School	2013-2014	84.335A	87,624	14,748	14,748
Higher Education -Institutional Aid	2013-2014	84.031A	445,821	239,459	239,459 B
Passed through Oregon Department of Community Colleges & Workforce Development:					
Adult Education - Basic Grants to States	2013-2014	84.002A	197,066	174,842	174,842 B
Passed through Oregon Department of Education					
Regional STEM Hub	2013-2014	99-998	325,230	53,627	53,627
Vocational Education - Basic Grants to States	2012-2013	84.048	244,097	66,699	66,699
Vocational Education - Basic Grants to States	2013-2014	84.048	179,539	142,676	142,676
Total Non SFA Cluster U.S. Department of Education			2,992,655	1,448,080	1,448,080
<u>U.S. Department of Agriculture:</u>					
Passed through State of Oregon, Department of Education:					
Child and Adult Care Food Program	2013-2014	10.558	13,147	13,147	13,147
Total U.S. Department of Agriculture			13,147	13,147	13,147
<u>Department of Commerce Economic Development Administration</u>					
Economic Adjustment Assistance Small Business Incubator Development Project	2013-2014	11.307	1,250,000	363,952	363,952
<u>Small Business Administration:</u>					
Passed through Lane Community College:					
Small Business Development Center	2013-2014	59.037	62,700	25,554	25,554
Small Business Jobs Act	2013-2014	59-017	6,890	3,405	3,405
Total Small Business Administration			69,590	28,959	28,959

(1) major program

UMPQUA COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

	<u>Grant Period</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>2013-14 Revenue</u>	<u>2013-14 Expenditures</u>
<i><u>U. S. Department of Labor:</u></i>					
Passed through the Oregon Consortium:					
Passed through Clackamas Community College Credential, Acceleration and Support for Employment					
	2013-2014	17.282	286,819	155,492	155,492
Total U.S. Department of Labor			286,819	155,492	155,492
<i><u>U. S. Department of Treasury</u></i>					
Recovery Zone Economic Development Bonds Subsidy Full Faith and Credit Obligations					
	2013-2014	unknown	79,329	79,329	79,329
Total U. S. Department of Treasury			79,329	79,329	79,329
<i><u>National Science Foundation:</u></i>					
Passed through University of Oregon: UCORE Stipend					
	2011-2012	47.050	1,500	0	44
Passed through Missouri State University VESTA National Center of Excellence					
	2013-2014	47.076	36,811	22,961	22,961
Total National Science Foundation			38,311	22,961	23,005
<i><u>US Congress</u></i>					
Open World Program Global Connections FHI Development 360					
	2012-2013	N/A	9,850	9,397	9,397
Total US Congress			9,850	9,397	9,397
TOTAL			14,934,292	12,315,907	12,315,950

UMPQUA COMMUNITY COLLEGE
SCHEDULE OF PROPERTY TAX TURNOVERS BY COUNTY
For the Fiscal Year Ended June 30, 2014

Tax Year	Original Levy or balance 7/1/2013	Discounts	Interest	Add (Deduct) Cancellations and Adjustments	Collections by County Treasurer	Uncollected Balance 6/30/2014
Current:						
2013-14	\$ 3,336,412	\$ (81,893)	\$ 1,952	\$ (9,046)	\$ (3,077,856)	\$ 167,616
Prior:						
2012-13	180,661	-	5,835	(19,907)	(78,115)	82,640
2011-12	99,700	-	6,609	(4,513)	(32,729)	62,458
2010-11	67,100	-	10,084	(3,493)	(28,995)	34,612
2009-10	37,838	-	7,408	(6,334)	(25,219)	6,285
2008-09	6,338	-	1,321	320	(2,556)	4,102
2007-08	1,950	-	963	1,201	(1,472)	1,679
2006-07 & prior	3,859	-	665	986	(582)	4,262
Total Prior	397,447	-	32,885	(31,740)	(169,669)	196,039
Total Taxes	<u>\$ 3,733,859</u>	<u>\$ (81,893)</u>	<u>\$ 34,837</u>	<u>\$ (40,786)</u>	<u>\$ (3,247,525)</u>	<u>\$ 363,655</u>

**UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON**

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

October 30, 2014

Independent Auditors' Report Required by Oregon State Requirements

We have audited the basic financial statements of the Umpqua Community College as of and for the year ended June 30, 2014, and have issued our report thereon dated October 30, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its 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, noncompliance with which could have a direct and material effect on the determination of financial statements 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.

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 the Umpqua 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 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

This report is intended solely for the information and use of the Board of Trustees, management and the Oregon Secretary of State, and is not intended to be and should not be used by anyone other than these parties.



Matthew Graves, CPA
PAULY, ROGERS AND CO., P.C.

UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON

GRANT COMPLIANCE REVIEW



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

October 30, 2014

To the Board of Trustees
Umpqua Community College
1140 Umpqua College Rd
Roseburg, Oregon 97470

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

We have audited the financial statements of Umpqua Community College as of and for the year ended June 30, 2014, and have issued our report thereon dated October 30, 2014. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Umpqua Community College's financial statements are free of 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.

This report is intended solely for the information and use of management, the Board, the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Matthew Graves, CPA
PAULY, ROGERS AND CO., P.C.



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October 30, 2014

To the Board of Trustees
Umpqua Community College
1140 Umpqua College Rd
Roseburg, Oregon 97470

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Umpqua Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2014. The major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of compliance with those requirements.

In our opinion, Umpqua Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2014.

Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Matthew Graves, CPA
PAULY, ROGERS AND CO., P.C.

**UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors’ Results

Financial Statements

Type of Auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Noncompliance material to financial statements noted? Yes No

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of OMB Circular A-133? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

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

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

Identification of major programs
CFDA Number(s):

Name of Federal Program:

84.063, 84.268, 84.033, 94.007
84.042A, 84.047A, 84.044A

Student Financial Assistance Cluster
TRIO – Student Support Services

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

Auditee qualified as low-risk auditee? Yes No

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

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

**UMPQUA COMMUNITY COLLEGE
ROSEBURG, OREGON**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section II – Financial Statement Findings

None Reported

Section III – Federal Award Findings and Question Costs

None Reported