



Financial Statements
June 30, 2018

Treasure Valley Community College

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Independent Auditor's Report

To the Board of Education
Treasure Valley Community College
Ontario, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Treasure Valley Community College (the College), and its discretely presented component unit as of and for the year ended June 30, 2018, and the related notes to the 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.

Auditor's 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Treasure Valley Community College Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit, as of June 30, 2018, and the respective changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 12 to the financial statements, the College has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The individual fund schedules of revenues, expenditures and changes in fund balance – budget and actual (budgetary basis) (supplementary information) and the individual fund financial schedules and schedule of property tax transactions, historical property values and general obligation legal debt capacity, and District's major taxpayers (other information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements.

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

The other information as noted in the table of contents has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 19, 2018, on our consideration of the College's 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.



For Eide Bailly LLP
Boise, Idaho
December 19, 2018

This section of Treasure Valley Community College's (the College) financial statements presents an analysis of the financial activities of the College for the fiscal year-ended June 30, 2018. 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.

Financial Highlights

The significant events that impacted the College for the fiscal year ended June 30, 2018, are as follows:

- State of Oregon community college support revenue increased 59% or \$3.2 million from the prior year. This increase is attributable to the Oregon Legislature's deferral of the eighth quarter reimbursement for the biennium. The College receives funding from the State across the biennium; however, the cash payments are not equal across the two years. In the first year of the biennium the college receives five payments whereas in the second year it receives three. During the 2017-18 fiscal year, the College received five state payments in addition to two smaller "makeup" payments for the 2016-17 fiscal year, resulting in the increase in State community college support.
- As valued by PERS and an independent actuary, the College's share of the system-wide PERS unfunded liability decreased slightly, going from a \$10.5 million liability at June 30, 2017 to a \$9.8 million liability at June 30, 2018. The reporting requirements of GASB 68 and 71 continue to impact the financial statements in non-current liabilities, deferred outflows and inflows of resources, pension expense, and unrestricted fund balance. Additional information regarding pension reporting and the transition is located in Note 6, Pension Plans.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, became effective for fiscal years beginning after June 15, 2017. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses related to Other Postemployment Benefit Plans (OPEB). Note 7 in the Notes to the Basic Financial Statements contains additional information regarding OPEB. In addition, the prior year's unrestricted net position was restated to reflect the effects of GASB statement No. 75. The result of this restatement is shown as a prior period adjustment in the financial statements for the year ending June 30, 2018. The prior year information was not restated in the Management's Discussion and Analysis section of this report.
- Total Enrollment for 2017-18 was 2,178 which was a decrease of 4.97% from the enrollment of 2,292 in 2016-17. The decrease in enrollment resulted in decreased tuition and fees revenues and a decrease in auxiliary enterprise operations.
- Grants and contract revenue (which includes Federal Financial Aid in Non-Operating Revenue) decreased by approximately \$702,166 or 5.2%. This was a net decrease which consisted of a \$1.58 million decrease in Federal financial aid and loan programs including PELL, SEOG, and Direct Student Loans, as well as an increased number of other federal and state grants and programs.

Analysis of the Statement of Net Position

The *Statement of Net Position*, includes all of the assets, deferred outflows, liabilities, and deferred inflows of the College using the accrual basis of accounting, which is similar to the accounting presentation used by most nonprofit entities including private colleges and universities. Net position is the difference between assets and deferred outflows, and liabilities and deferred inflows, and it is one measure of the College's financial condition.

	2018	2017	\$ Change	% Change
Assets				
Current assets	\$ 4,068,694	\$ 2,484,854	\$ 1,583,840	63.7%
Capital assets, net	14,093,771	14,424,474	(330,703)	-2.3%
Noncurrent asset	35,324	-	35,324	100.0%
Total assets	<u>18,197,789</u>	<u>16,909,328</u>	<u>1,288,461</u>	<u>7.6%</u>
Deferred Outflows of Resources	<u>3,851,082</u>	<u>5,865,523</u>	<u>(2,014,441)</u>	<u>-34.3%</u>
Liabilities				
Current liabilities	3,192,860	3,704,698	(511,838)	-13.8%
Noncurrent liabilities	24,770,560	25,753,213	(982,653)	-3.8%
Total liabilities	<u>27,963,420</u>	<u>29,457,911</u>	<u>(1,494,491)</u>	<u>-5.1%</u>
Deferred Inflows of Resources	<u>710,933</u>	<u>455,235</u>	<u>255,698</u>	<u>56.2%</u>
Net Position				
Net investment in capital assets	7,619,507	7,983,797	(364,290)	-4.6%
Restricted - OPEB asset	35,324	-	35,324	100.0%
Unrestricted	(14,280,313)	(15,122,092)	841,779	-5.6%
Total net position	<u>\$ (6,625,482)</u>	<u>\$ (7,138,295)</u>	<u>\$ 512,813</u>	<u>-7.2%</u>

Assets

Total assets for the College at the end of the fiscal year were approximately \$18.2 million. Current assets were \$4.1 million which is sufficient to cover current liabilities of \$3.2 million. The total assets increased by \$1.3 million mainly due to receipt of five payments from the state as opposed to only three in the prior year.

Current assets are comprised of cash and cash equivalents of \$1.8 million, accounts receivable, net of allowances for uncollectable accounts of \$2.0 million, prepaid assets of \$4,679, and inventory in the Ontario and Caldwell bookstores of \$273,623. The College's receivables consist of property taxes, student accounts, grants and special projects, and various operating receivables.

Noncurrent assets include capital assets and associated accumulated depreciation totaling \$28.3 million and \$14.2 million respectively, presenting a net capital asset value of \$14.1 million. This is a decrease of \$330,703 from 2016-17 due to depreciation expense, net of capital asset additions. The College uses capital assets to provide services to students; consequently, these assets are not available for future spending. Therefore, the resources to repay the associated debt will be provided by other sources. Additional information regarding capital assets can be found in Note 2. The implementation of GASB 75 during the 2017-18 fiscal year resulted in a new noncurrent asset of \$35,324 representing the College's proportionate share of the system-wide OPEB Asset for Retiree Health Insurance Account (RHIA).

Deferred Outflows of Resources

The 2017-18 deferred outflows of resources (\$3.9 million) decreased by \$2.0 million due to changes of assumptions and differences between expected and actual results of pension reporting required by GASB 68 and GASB 71 as discussed in Note 7 and of OPEB reporting required by GASB 75 as discussed in Note 8.

Liabilities

Liabilities are classified as current and noncurrent. Current liabilities are mainly comprised of accounts payable, accrued payroll liabilities, unearned revenue, and the current portion of long-term debt. The current liabilities decreased by \$511,838 in the current year which was mainly due to a \$500,000 balance payable on the short-term line of credit which was outstanding at June 30, 2017, and was \$0 at June 30, 2018.

Noncurrent liabilities are comprised of PERS bonds payable, the College's portion of the Pension Liability, the College's portion of the OPEB (Other Post-Employment Benefits) liability, and notes payable. The decrease in noncurrent liabilities is due to a combination of paying off three smaller notes payable through a consolidation note payable, changes in the PERS liabilities, implementing changes in the way the OPEB liability is now required to be reported, as well as regularly schedule principal payments made on all outstanding debt. See Note 5 for additional information regarding long-term debt.

Deferred Inflows of Resources

The deferred inflows of resources totaled \$710,933 and reflect the changes in proportion and differences in college contributions to the pension plan and the OPEB plans which are entirely from the pension and OPEB reporting required by GASB 68 and GASB 71 as discussed in Note 7 and GASB 75 as discussed in Note 8.

Net Position

Total net position is composed of three components including net investment in capital assets, restricted, and unrestricted. With the implementation of GASB 68 and 71 in prior years and GASB 75 in the current year, net position will continue to fluctuate materially from year to year depending upon the PERS system-wide investment returns and changes in the balances of related assets, deferred outflows, liabilities, and deferred inflows as a result of actuarially determined values. The net effect of these changes and the increase in state support payments resulting from receiving five payments rather than three, accounts for the net increase resulting in a negative total net position of \$6.6 million as of June 30, 2018. The increase includes the restatement of the prior year's total net position of \$238,187 as well as the current year change in net position of \$274,626 for a total change of \$512,813.

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

The *Statement of Revenues, Expenses and Changes in Net Position* presents the College's revenues earned and expenses incurred during the year which are reported as either operating or non-operating. The accrual basis of accounting was used, meaning that revenues and expenses are recorded as soon as the underlying event occurs, regardless of the timing as to when the cash is actually received. Because of this, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Depreciation expense represents the utilization of fixed assets and other long-term assets and is arrived at by amortizing the cost of the capital asset over the expected useful life. Under generally accepted accounting principles (GAAP), state appropriations and property taxes, while budgeted for operations, must be classified in the statement as non-operating revenues. Because of the College's dependency on state aid and property tax revenue, this statement presents an operating loss.

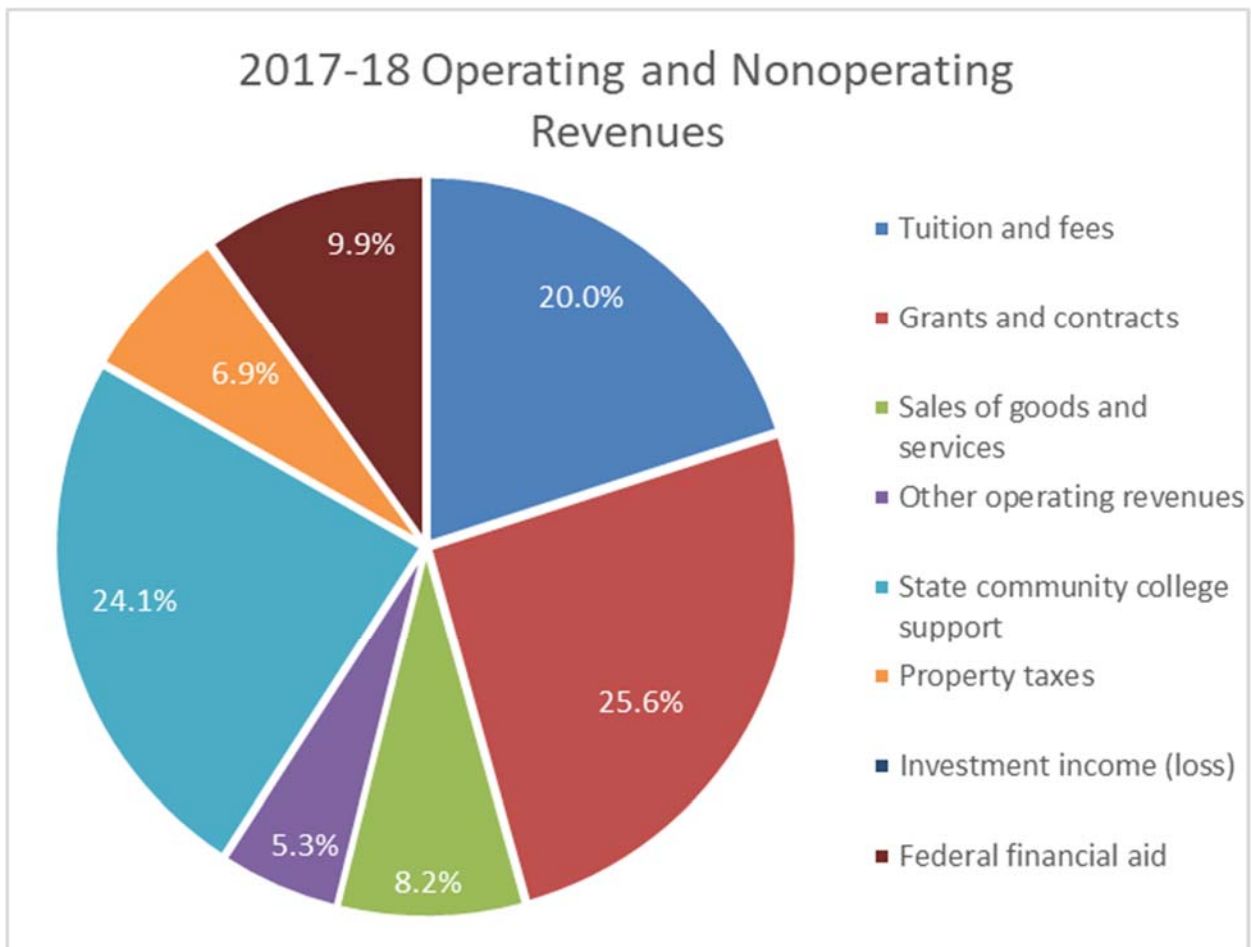
Treasure Valley Community College
Management's Discussion and Analysis
June 30, 2018

	2018	2017	\$ Change	% Change
Operating revenues				
Tuition and fees	\$ 7,206,379	\$ 6,329,930	\$ 876,449	13.8%
Grants and contracts	9,219,412	9,735,064	(515,652)	-5.3%
Sales of goods and services	2,949,381	3,935,335	(985,954)	-25.1%
Other operating revenues	1,896,226	1,706,175	190,051	11.1%
Total operating revenues	<u>21,271,398</u>	<u>21,706,504</u>	<u>(435,106)</u>	<u>-2.0%</u>
Non operating revenues				
State community college support	8,651,778	5,489,954	3,161,824	57.6%
Property taxes	2,470,572	2,247,642	222,930	9.9%
Investment income (loss)	28,760	14,217	14,543	102.3%
Federal financial aid	3,545,087	3,731,601	(186,514)	-5.0%
Total non operating revenues	<u>14,696,197</u>	<u>11,483,414</u>	<u>3,212,783</u>	<u>28.0%</u>
Total revenues	<u>35,967,595</u>	<u>33,189,918</u>	<u>2,777,677</u>	<u>8.4%</u>
Operating expenses				
Educational and general	12,371,564	11,052,514	1,319,050	11.9%
Other support services	9,379,882	8,816,889	562,993	6.4%
Scholarships and grants	9,640,435	11,062,807	(1,422,372)	-12.9%
Auxiliary enterprises	2,460,013	3,551,619	(1,091,606)	-30.7%
Depreciation	825,059	816,317	8,742	1.1%
Total operating expense	<u>34,676,953</u>	<u>35,300,146</u>	<u>(623,193)</u>	<u>-1.8%</u>
Non operating expenses				
Interest expense	1,016,016	974,543	41,473	4.3%
Total expenses	<u>35,692,969</u>	<u>36,274,689</u>	<u>(581,720)</u>	<u>-1.6%</u>
Change in net position	<u>\$ 274,626</u>	<u>\$(3,084,771)</u>	<u>\$ 3,359,397</u>	<u>-108.9%</u>

Revenue

Operating revenues for the fiscal year decreased by \$435,106 from the prior year. The major reason for the decrease was the reduction in enrollment, which resulted in reductions in tuition and fee revenues, state and federal aid received for students, and Auxiliary enterprise operational revenues. These decreases were offset by increases in Federal grants and the receipt of administrative fees related to new grants.

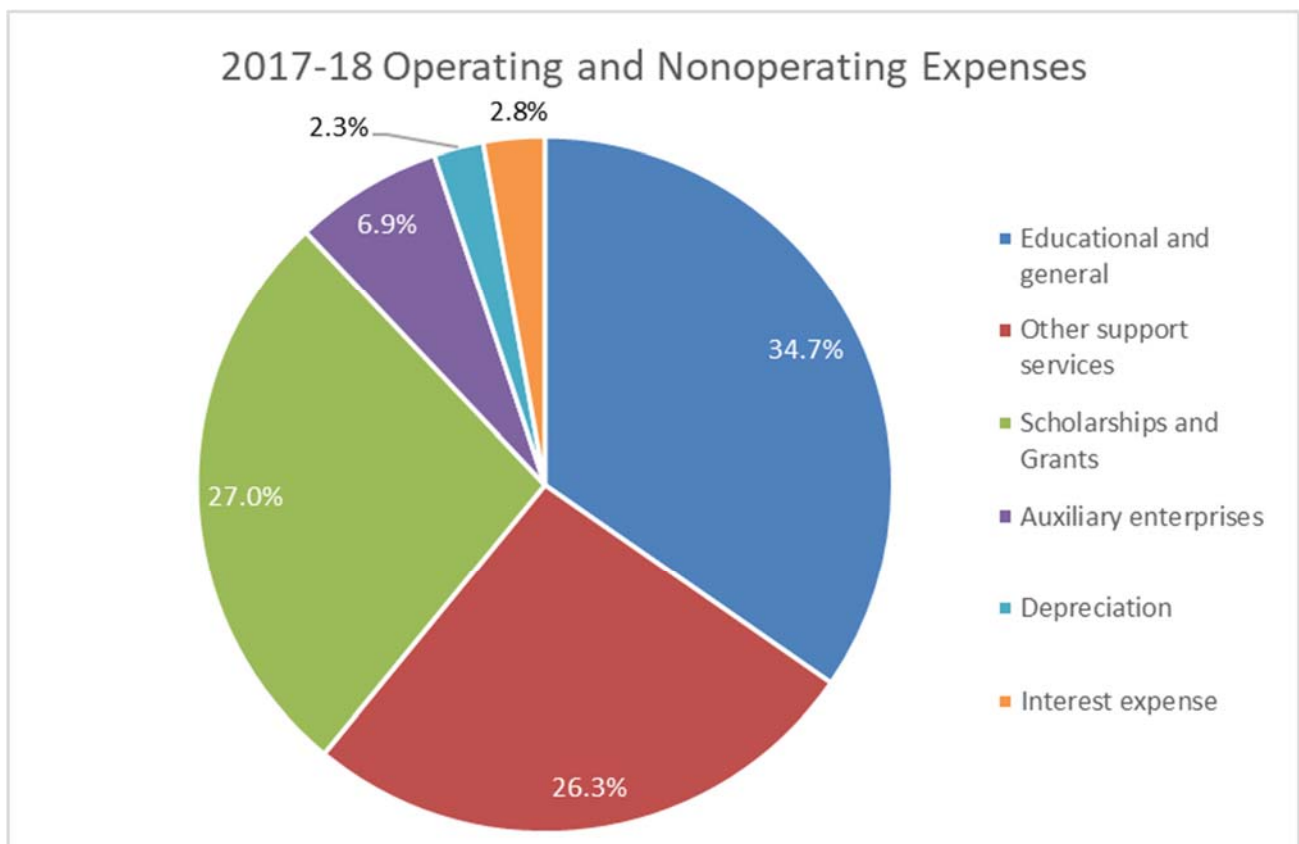
Current year non-operating revenues increased by \$3.2 million from the prior year. The increase was primarily due to the College receiving five state support payments in 2017-18 as compared to only three payments received in the 2016-17 fiscal year. This is a result of the payment structure from the state requiring the College to report five support payments in the first year of a biennium and three payments in the second year. For the year ended June 30, 2018, the College received five payments. Additionally, there was a slight decrease in Federal financial aid and a slight increase in property taxes reported as non-operating revenue. Investment income increased because of improved economic conditions resulting in higher investment yields.



Expenses

Total operating expenses for the College were \$34.7 million for the fiscal year, a decrease of \$623,193 from the prior year. Factors behind the reduction include the decrease in enrollment which lead to reduced support services costs, a reduction in state and federal financial aid disbursed to students, and decreased Auxiliary enterprise operational costs.

Expenditures for educational and general programs and other support services increased, while scholarships and grants, and auxiliary enterprises decreased. All of the changes are net amounts consisting primarily of increased PERS expenses as a result of accounting for pensions and other post-employment benefit plans under GASB Statements 68, 71, and 75 and decreased financial aid and auxiliary operating expenses due to decreased enrollment. The percentages of expenses by category are shown in the table below.



Capital Assets

During the 2017-18 fiscal year, the College increased capital assets by \$494,356 due to capital asset additions, which was offset by \$825,059 recognized as depreciation expense. See Note 2, Changes in Capital Assets, for additional information.

Long-Term Obligations

As of June 30, 2018, the College's total outstanding debt was \$13.6 million. Of this amount, \$4.9 million is Refunding Bonds and \$7.1 million is Limited Tax Pension Obligation Bonds; all of which are backed by the full faith and credit of the College. In addition, the College owes the Bank of Eastern Oregon \$1.5 million as described below.

In October, 2017, the College entered into a loan agreement with the Bank of Eastern Oregon to refinance and liquidate the gym elevator loan financed by Umpqua Bank, the Zions Bank loan on the science center, and the remaining balance on the City of Ontario's local improvement district assessment. The remaining loan proceeds were designated to key projects including critical computer software needs and website development.

State statutes limit the amount of general obligation debt the College may issue to 1.5% of Real Market Value of properties within the College's district. Based upon this, the College's legal debt limit is \$39.2 million, which is significantly higher than the College's outstanding general obligation debt of \$4.9 million. See Note 5, Long-Term Obligations, for additional information.

Economic Factors and Next Year's Budget

The College continues to provide a positive educational experience for students with the resources provided. While the 2017-19 biennium did see a small increase in the overall statewide Community College support, it is still substantially less than the amount needed to maintain current service levels. The College continues to experience reductions in year to year enrollment with the continuing strong economy, historically low unemployment rates, and individuals returning to the workforce. The College continues to look for new and innovative ways to serve students, increase enrollment, and maintain the educational quality at Treasure Valley Community College.

The College's board of directors adopted the budget for the 2018-19 fiscal year on June 19, 2018. The budget adopted was prepared keeping the current economic conditions in mind. The General Fund was budgeted at \$16.9 million, a 6% decrease from the 2017-18 budget. The 2018-19 budget includes a 3% increase in property taxes, while enrollment is budgeted to decrease by 3% in accordance with the anticipated enrollment decline. The College's board voted to leave tuition unchanged from the 2017-18 budget. The beginning fund balance for 2018-19 is budgeted at \$1.1 million.

The College has contracted with an architecture/engineering firm and has started moving ahead on the planning for its new CTE Center which is made possible by a \$3 million federal grant from the U.S. Department of Commerce Economic Development Administration (EDA). These funds serve as matching funds for \$2.9 million capital construction funds from the state of Oregon. The College has hosted several listening sessions to gather ideas for consideration in the design of the new center. The groups involved in the listening sessions included faculty, staff and administration, students, and community members. The College, as a whole, is very excited about this new center and the countless opportunities it will provide for many years to come.

Requests for Information

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

Business Office
Treasure Valley Community College 650 College Blvd.
Ontario, OR 97914

Treasure Valley Community College
Statement of Net Position
June 30, 2018

	Primary Government <u>TVCC College</u>	Component Unit <u>TVCC Foundation</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,777,888	\$ 492,753
Restricted cash	11,749	-
Investments	-	6,194,429
Accounts receivable, net	2,000,755	1,121
Prepaid and other assets	4,679	-
Inventory	273,623	-
Total current assets	<u>4,068,694</u>	<u>6,688,303</u>
Noncurrent Assets		
Capital assets, net of depreciation	14,093,771	-
OPEB asset - RHIA	35,324	-
Total noncurrent assets	<u>14,129,095</u>	<u>-</u>
Total assets	<u>18,197,789</u>	<u>6,688,303</u>
Deferred Outflows of Resources		
Deferred charge on refunding	207,618	-
Deferred outflows - RHIA OPEB	38,470	-
Deferred outflows - RHIPA OPEB	27,148	-
Deferred outflows on PERS contributions	3,577,846	-
Total deferred outflows of resources	<u>3,851,082</u>	<u>-</u>

Treasure Valley Community College
Statement of Net Position
June 30, 2018

	Primary Government	Component Unit
	TVCC College	TVCC Foundation
Liabilities		
Current Liabilities		
Accounts payable	912,994	32,691
Payroll liabilities	892,410	-
Compensated absences	92,615	-
Due to other funds student and agency groups	250,890	-
Unearned revenue	292,870	-
Current portion of pre-SLGRP PERS transition liability	71,212	-
Current portion of long-term debt	679,869	-
Total current liabilities	<u>3,192,860</u>	<u>32,691</u>
Noncurrent Liabilities		
PERS bond payable	6,840,216	-
Pension liability	9,843,936	-
Pre-SLGRP PERS transition liability	1,439,496	-
OPEB liability - RHIPA	561,985	-
Notes payable	6,084,927	-
Total noncurrent liabilities	<u>24,770,560</u>	<u>-</u>
Total liabilities	<u>27,963,420</u>	<u>32,691</u>
Deferred Inflows of Resources		
Deferred inflows - RHIA OPEB	18,213	-
Deferred inflows - RHIPA OPEB	27,655	-
Deferred pension amount	665,065	-
Total deferred inflows of resources	<u>710,933</u>	<u>-</u>
Net Position		
Net investment in capital assets	7,619,507	-
Restricted - expendable		
Donor-imposed restriction	-	5,798,888
OPEB Asset	35,324	-
Unrestricted	<u>(14,280,313)</u>	<u>856,724</u>
Total net position	<u><u>\$ (6,625,482)</u></u>	<u><u>\$ 6,655,612</u></u>

Treasure Valley Community College
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2018

	Primary Government	Component Unit
	TVCC College	TVCC Foundation
Operating Revenues		
Student tuition and fees	\$ 7,206,379	\$ -
Federal sources	6,486,366	-
State sources	2,733,046	-
	<u>16,425,791</u>	<u>-</u>
Auxiliary enterprises		
Bookstore	763,312	-
Food services	409,357	-
Housing	486,903	-
Printing	145,616	-
Caldwell Center	1,144,193	-
Contributions and special events proceeds	-	1,069,247
Other operating revenues	1,896,226	-
	<u>21,271,398</u>	<u>1,069,247</u>
Total operating revenues		
Operating Expenses		
Educational and general	12,371,564	-
Other support services		
Student activities	2,808,720	-
College support	4,682,630	151,146
Plant operations	1,888,532	-
Scholarships and grants	9,640,435	236,592
Auxiliary enterprises		
Bookstore	700,858	-
Food services	369,514	-
Housing	169,139	-
Printing	104,010	-
Caldwell Center	1,116,492	-
Fundraising expenses	-	20,202
Management and general expense	-	413,333
Depreciation expense	825,059	-
	<u>34,676,953</u>	<u>821,273</u>
Total operating expenses		
Operating Revenue (Loss)	<u>(13,405,555)</u>	<u>247,974</u>

Treasure Valley Community College
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2018

	Primary Government	Component Unit
	TVCC College	TVCC Foundation
Nonoperating Revenues (Expenses)		
Property taxes	2,470,572	-
State FTE reimbursement	8,651,778	-
Federal financial aid	3,545,087	-
Investment income	28,760	420,343
Interest expense	(1,016,016)	-
Net nonoperating revenues	13,680,181	420,343
Change in Net Position	274,626	668,317
Net Position, Beginning of Year, as Restated	(6,900,108)	5,987,295
Net Position, End of Year	\$ (6,625,482)	\$ 6,655,612

Treasure Valley Community College
Statement of Cash Flows
Year Ended June 30, 2018

	Primary Government
	TVCC College
Operating Activities	
Tuition and fees, net	\$ 9,359,920
Federal grants and contracts	6,880,548
State and local government grants and contracts	2,733,046
Payments to suppliers for goods and services	(9,229,757)
Payments to employees	(13,188,789)
Payments for student financial aid and other scholarships	(9,640,435)
Other cash receipts	1,896,226
	(11,189,241)
Net Cash used for Operating Activities	
Noncapital Financing Activities	
Cash received from property taxes	2,464,520
State full time equivalent reimbursement	8,651,778
Federal financial aid received	3,545,087
Transfer from other funds student and agency groups	42,751
	14,704,136
Net Cash from Noncapital Financing Activities	
Capital Related Financing Activities	
Purchases of capital assets	(494,356)
Proceeds from line of credit	700,000
Payments on line of credit	(1,200,000)
Proceeds from long-term debt	1,616,326
Principal paid on long-term debt	(1,917,406)
Interest paid on long-term debt	(999,812)
	(2,295,248)
Net Cash used for Capital Related Financing Activities	
Investing Activities	
Interest on investments	28,760
	28,760
Net Cash from Investing Activities	
Net Change in Cash, Restricted Cash, and Cash Equivalents	1,248,407
Cash, Restricted Cash, and Cash Equivalents, Beginning of Year	541,230
Cash, Restricted Cash, and Cash Equivalents, End of Year	\$ 1,789,637

Treasure Valley Community College
Statement of Cash Flows
Year Ended June 30, 2018

	Primary Government
	TVCC College
Reconciliation of Cash, Restricted Cash and Cash Equivalents to the Statement of Net Position	
Cash and cash equivalents	\$ 1,777,888
Restricted cash	11,749
Cash, Restricted Cash and Cash Equivalents at End of Year	\$ 1,789,637
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating loss	\$ (13,405,555)
Adjustments to reconcile operating revenues net of operating expenses to net cash used for operating activities	
Depreciation	825,059
GASB 68 actuarial pension expense	1,561,311
GASB 75 - RHIA OPEB revenue	(38,549)
GASB 75 - RHIPA OPEB expense	46,921
Changes in assets and liabilities	
Accounts receivable	(348,205)
Prepaid assets	39,716
Accounts payable	245,885
Unearned revenue	(53,453)
Inventory	(20,318)
Accrued payroll and payroll costs	(53,242)
Compensated absences	11,189
Net Cash used for Operating Activities	\$ (11,189,241)

Note 1 - Summary of Significant Accounting Policies

Treasure Valley Community College (the College) is a public two-year educational institution. The College is a municipal corporation governed under the laws prescribed by the State of Oregon, charged with educating students. A seven-member Board of Directors is locally elected and is authorized to establish policies governing the operations of the College. The College qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. Treasure Valley Community College maintains a main campus in Ontario, Oregon, and outreach sites in Burns, Oregon, Caldwell, Idaho, Snake River Correctional Institute and Warner Creek Correctional Institute.

A. Reporting Entity

In accordance with the Governmental Accounting Standards Board (GASB), the College has included all funds, organizations, agencies, boards, commissions and authorities. The College has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete.

As defined by GASB, the College includes one component unit in its financial statements: the Treasure Valley Community College Foundation (hereinafter referred to as the Foundation). The Foundation is a nonprofit, nongovernmental organization, whose purpose is to provide support for scholarships and programs for the College. The Foundation's financial statements are prepared in accordance with the Financial Accounting Standards Board (FASB); however their financial statements have been reclassified to match that of the College. Copies of the Foundation's audited financial statements may be obtained from the Foundation Treasurer at 650 College Blvd, Ontario, Oregon, 97914.

B. Basis of Presentation

GASB establishes standards for external financial reporting for public colleges and universities and requires resources to be classified for accounting and reporting purposes into the following three net asset categories:

Net investment in capital assets

Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted net position

Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Foundation and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Foundation's Board of Directors.

Unrestricted net position

Net position that is not subject to externally imposed stipulations. Resources may be designated for specific purposes by action of management or by the board of education or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic and general programs of the College.

The basic financial statements report information on all of the activities of the College. The effect of interfund activity has been removed from these statements. The College follows the “business-type activities” reporting requirements of GASB that provides a comprehensive one-column look at the College’s financial activities.

C. Measurement Focus and Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities as defined by GASB. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Non-exchange transactions are those in which the College receives value without directly giving equal value in return. These include property taxes, federal, state and local grants, state appropriations, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenues from grants, state appropriations, and other contributions are recognized in the year in which all eligibility, matching, and expenditure requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements apply to grants and contracts in which the College must provide local resources to be used for a specified purpose; and expenditure requirements are those for which the resources are provided to the College on a reimbursement basis.

D. Use of Estimates

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

E. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, funds invested with the Oregon State Treasurer’s Local Government Investment Pool (LGIP) and short-term investments with original maturities of three months or less from the date of acquisition. The LGIP is stated at amortized cost, which approximates fair value. All other cash and cash equivalents are carried at cost.

F. Restricted Cash and Cash Equivalents

Restricted cash consists of funds available for payment of outstanding debt which is restricted by outside sources.

G. Investments

Oregon Revised Statutes authorize investment in general obligations of the U.S. government and its agencies, certain bonded obligations of Oregon municipalities, repurchase agreements, and bankers' acceptances. As of June 30, 2018, the College was in compliance with the aforementioned State of Oregon Statutes. As of June 30, 2018, the College does not have any funds in investment accounts.

H. Receivables

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Malheur and Baker Counties collect and allocate property taxes to the College. Property tax revenues are recognized when they become available. Available means when due, or past due and receivable within the current period. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

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

Student revenues are from tuition, fees, housing, and food services and are included in receivables and revenues for the year ended June 30, 2018.

I. Inventory

The value of the College's inventory is carried at the lower of first-in, first-out (FIFO) cost or market, and are charged to cost of sales as used.

J. Capital Assets

Capital assets include land and land improvements, buildings and building improvements, equipment and machinery, leasehold improvements, and construction in progress. The College's capitalization threshold is \$5,000 for equipment. Donated capital assets are recorded at the acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value or functionality of the assets' lives are not capitalized, but are expensed as incurred. Buildings, equipment and machinery, infrastructure, library collections, leasehold improvements, and land improvements of the College are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	20-40 years
Equipment and machinery	5-10 years
Leasehold improvements	10-40 years

K. Tuition and Fees and Unbilled Revenue

Tuition and fees include all assessments to students for educational purposes. The College's fiscal year begins with summer term and ends with spring term. Tuition and fees payments received prior to July 1, 2018, for the College's 2018-2019 summer and fall terms are recorded as unearned revenue.

L. Compensated Absences

It is the College's policy to permit employees to accumulate earned but unused vacation and sick pay. There is no liability for unpaid accumulated sick leave since the College does not have a policy to pay any amounts when employees separate from service. Unused vacation pay is recognized as an expense and accrued when earned. As of June 30, 2018, the accrued compensated absences amounted to \$92,615.

M. Long-term Debt

Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Other Post-Employment Benefits (OPEB)

State of Oregon Retiree Health Insurance Account (RHIA): For purposes of measuring the RHIA OPEB asset, deferred outflows of resources and deferred inflows of resources related to the RHIA and plan revenue, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined based on the same basis as they are reported by OPERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

Single Employer Retiree Health Insurance Premium Account (RHIPA): This OPEB plan utilized employee census data and benefits provided by the College for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense. Benefit payments (including refunds of employee contributions) are financed on a pay-as-you-go basis.

P. Pre-SLGRP Pooled Liability

The Pre-SLGRP Pooled Liability was an actuarially determined liability recorded in the statement of net position based on the College's entry into the OPERS State and Local Government Rate Pool. The transition liability is reduced each year by contributions to OPERS and increased for interest charged by OPERS.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The College has three items that qualify for reporting in this category: the pension obligation, the RHIA and RHIPA OPEB asset/liability, and deferred charge on refunding, which are reported on the Statement of Net Position. The pension obligation results from differences between expected and actual experience, changes in assumptions, differences between projected and actual earnings on investments, changes in proportion share, and contributions made subsequent to the measurement date of the net pension liability. The RHIA and RHIPA OPEB amounts result from contributions subsequent to the measurement date. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The College has two items that qualify for reporting in this category: the employer pension obligation and the RHIA and RHIPA OPEB asset/liability. The employer pension obligation results from the differences between employer's contributions and employer's proportionate share of system contributions derived from the actuarial calculation of the College's net pension liability. The RHIA and RHIPA OPEB amounts result from the differences between the projected and actual earnings on investments, changes in proportionate share, and changes in assumptions.

R. Operating and Non-operating Revenues and Expenses

Operating revenues and expenses generally result from providing services to students. Principal operating revenues include tuition and fees, federal and state grants, charges for services and sale of educational materials. Operating expenses include the cost of faculty, administration, sales and services for food services, printing, housing, bookstore and the Caldwell Center operations and depreciation. All other revenues and expenses, including property taxes, state educational support, investment income, and interest expense not meeting this definition are reported as non-operating revenues and expenses.

S. Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, and Federal Direct Lending programs. Federal programs are audited in accordance with the Single Audit Act, the U.S. Office of Management and Budget Uniform Guidance, *Cost Principles, Audit, and Administrative Requirements for Federal Awards*, and the Compliance Supplement.

T. Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Expendable restricted net position represents funds restricted for specific purposes. When both restricted and unrestricted resources are available for use, it is the college's practice to use restricted resources first, then unrestricted resources as they are needed.

U. Budgetary Information

In accordance with Oregon Revised Statutes, the College adopts an annual budget and makes appropriations for each fund. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control for appropriations is by function. Transfers of appropriations may be made between legally authorized appropriations when approved by Board resolution. Annual appropriations lapse on June 30.

V. New Accounting Standard

As of July 1, 2017, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard requires governments to calculate and report the cost and obligations associated with other postemployment benefits (OPEB) in their financial statements, including additional note disclosures and required supplementary information. The effect of the implementation of this standard on beginning net position is disclosed in Note 12 and the additional disclosures required by this standard are included in Note 8.

Note 2 - Changes in Capital Assets

The following table presents the changes in various capital asset categories:

	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital Assets Not Being Depreciated					
Land	\$ 233,381	\$ -	\$ -	\$ -	\$ 233,381
Construction in progress	-	35,423	-	-	35,423
Total capital assets not being depreciated	<u>233,381</u>	<u>35,423</u>	<u>-</u>	<u>-</u>	<u>268,804</u>
Other Capital Assets					
Buildings	19,855,048	-	-	-	19,855,048
Improvements and software	3,487,493	259,354	-	58,409	3,805,256
Vehicles and equipment	4,246,764	199,579	-	(58,409)	4,387,934
Total other capital assets	<u>27,589,305</u>	<u>458,933</u>	<u>-</u>	<u>-</u>	<u>28,048,238</u>
Total capital assets	<u>27,822,686</u>	<u>494,356</u>	<u>-</u>	<u>-</u>	<u>28,317,042</u>
Less accumulated depreciation					
Buildings	7,513,627	514,341	-	-	8,027,968
Improvements and software	2,041,557	176,100	-	-	2,217,657
Vehicles and equipment	3,843,028	134,618	-	-	3,977,646
Total accumulated depreciation	<u>13,398,212</u>	<u>825,059</u>	<u>-</u>	<u>-</u>	<u>14,223,271</u>
Capital assets, net	<u>\$ 14,424,474</u>	<u>\$ (330,703)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,093,771</u>

Included in the vehicle and equipment category is the capitalized library collection, which is being depreciated.

Note 3 - Cash and Investments

The College maintains a cash and investment pool that is available for use by all funds. This pool is displayed on the statement of net position as cash and cash equivalents.

Cash is comprised of the following at June 30, 2018:

Cash and cash equivalents	
Petty cash	\$ 3,624
Deposits with banks	781,380
State Treasurer's Local Government Pool (LGIP)	992,884
Total cash and cash equivalents	\$ 1,777,888
Restricted cash and cash equivalents	
State Treasurer's Local Government Pool (LGIP)	\$ 11,749
Total restricted cash and cash equivalents	\$ 11,749

Deposits

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP) which include standards to categorize bank deposits to give an indication of the level of custodial risk assumed by the College at June 30, 2018. If bank deposits at year end are not entirely insured or collateralized with securities held by the College or by its agent in the College's name, the College must disclose the custodial credit risk (below) that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295.

At June 30, 2018, the carrying amount of the College's deposits (cash and LGIP) was \$1,789,636 and the bank balance was \$1,577,946. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance (FDIC) of \$250,000 applies to deposits in each depository. When balances continually exceed \$250,000, ORS 295.015 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the Oregon State Treasurers website. Qualifying depository banks must pledge securities with a particular value based on the bank's level of capitalization. At June 30, 2018, and for the year then ended, the College's deposits were in compliance with ORS 295.015.

Custodial Credit Risk – deposits. This is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a policy for custodial credit risk of deposits. The balances in excess of the FDIC insurance are considered exposed to custodial credit risk. As of June 30, 2018, \$250,000 of deposits were fully covered by federal depository insurance and the remainder of the balance was collateralized by the Oregon Public Funds Collateralization Program; thus no assets were exposed to custodial credit risk.

Cash Equivalents

At June 30, 2018, the College held \$1,004,633 in the Oregon Local Government Investment Pool, which is all classified as cash equivalents on the Statement of Net Position. The College has no policy for managing interest rate risk or credit risk.

Custodial Credit Risk – investments. This is the risk that, in the event of the failure of counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a policy for custodial risk for investments. At June 30, 2018, none of the College’s cash equivalents were exposed to custodial credit risk.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The College minimizes this risk by limiting investments to only those that provide FDIC insurance and certificate of collateralization from the Federal Home Loan Bank. This action limits the College’s exposure to an individual security issue or backer, when possible. The Local Government Investment Pool is not currently rated.

The Oregon Local Government Investment Pool (LGIP) is an external investment pool as defined by GASB. The LGIP is part of the Oregon Short-Term Fund. Investment policies of this fund are governed by the Oregon Revised Statutes and the Oregon Investment Council. In accordance with Oregon Statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments. The Local Government Investment Pool holds certain derivatives to enhance return while managing the overall risk of the fund. These derivatives include asset-backed securities and floating rate notes of U.S. government securities. Securities held by the pool are not specifically identified to the district and are not categorized for risk purposes. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Note 4 - Accounts Receivable

Receivables as of June 30, 2018, were as follows:

Property tax	\$ 155,152
Tuition and related fees	1,854,607
Due from other governmental units	763,758
Other	153,343
	2,926,860
Allowance for uncollectible	(926,105)
Total accounts receivable, net	\$ 2,000,755

Note 5 - Long-term Obligations

The following is a summary of long-term obligation transactions during the year:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Umpqua Bank - Gym Lift	\$ 268,988	\$ -	\$ (268,988)	\$ -	\$ -
Bank of Eastern Oregon	-	1,616,326	(92,063)	1,524,263	139,336
PERS UAL Bond	7,423,922	-	(293,173)	7,130,749	290,533
Pre-SLGRP PERS transition liability	1,581,920	-	(71,212)	1,510,708	71,212
City of Ontario LID Lot 100	26,196	-	(26,196)	-	-
Zions Bank	904,000	-	(904,000)	-	-
Series 2012 Refinancing	5,200,000	-	(250,000)	4,950,000	250,000
University Capital Lease	41,493	-	(41,493)	-	-
Compensated Absences	81,426	336,161	(324,972)	92,615	92,615
	<u>\$ 15,527,945</u>	<u>\$ 1,952,487</u>	<u>\$ (2,272,097)</u>	<u>\$ 15,208,335</u>	<u>\$ 843,696</u>

In April 2003, the College issued \$10,701,480 in limited tax pension bonds to finance the unfunded pension liability to the Oregon Public Employees Retirement System (PERS). These bonds have interest rates that range from 5.60 to 6.25 percent. Interest payments are made semiannually on June 30 and December 30. Principal payments are made on June 30 of each year. Debt service is financed by a self-imposed pension expense based on a percentage of payroll costs. The bond is collateralized as mandated by state statute, which collateralizes the bond with all General Fund revenue and assets of the College.

In December of 2012, the College refinanced three different debt issues. The amount refinanced was \$5.89 million and the total debt issuance was \$6.225 million. The debt refunded partially, or wholly, the 2000, 2005, and 2006 debt issues. The coupon rate on the debt is between 2 and 4% for the life of the obligation. The reacquisition price exceeded the net carrying amount of the old debt by \$335,000; however the refunding reduced the College's total debt service payments over the remaining life of the debt by \$620,000. The financing is collateralized by the College General Fund.

In October 2017, the College entered into a loan agreement in the amount of \$1.616 million. The proceeds of the note were used to liquidate the science center loan (Zion's Bank), the gymnasium loan (Umpqua Bank – gym lift), and the City of Ontario LID obligation. The remaining funds were designated to purchase critical computer software and website development as well as various other projects as determined by the administration. The variable interest loan is being repaid in monthly installments of \$16,176 over ten years. The interest rate is calculated at 0.5 percentage points below the prime rate as published by the Wall Street Journal. The initial rate on the note is 3.75% per annum and changes to this rate will not occur for at least five years from the date of the loan. The loan is collateralized by the security instrument as listed in the promissory note.

Future payments for long-term debt at June 30, 2018, include:

	Principal	Interest	Total
2019	\$ 679,869	\$ 1,015,993	\$ 1,695,862
2020	699,834	1,058,529	1,758,363
2021	707,776	1,102,636	1,810,412
2022	722,508	1,149,804	1,872,312
2023	737,671	1,196,242	1,933,913
2024-2028	7,847,354	1,567,139	9,414,493
2029-2033	1,520,000	325,400	1,845,400
2034-2035	690,000	41,600	731,600
	\$ 13,605,012	\$ 7,457,343	\$ 21,062,355

Note 6 - Short-term Obligations

In May 2017, the College entered into a taxable tax and revenue anticipation note, Series 2017 with Umpqua Bank in the amount of \$1,750,000; \$500,000 of which had been drawn on as of the end of fiscal year 2017. The note had an interest rate equal to the prime rate (as published in the Wall Street Journal) plus .50 percent per annum, with a minimum of 4.50%. The note matured on December 31, 2017. The financing was secured by the College's ad valorem property taxes subject to the limits of Article XI, Sections 11 and 11b of the Oregon Constitution and all legally available revenue of the College.

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Umpqua Line of Credit	\$ 500,000	\$ 700,000	\$ (1,200,000)	\$ -	\$ -

Note 7 - Pension Plans

Plan Description

The College contributes to two pension plans administered by the Oregon Public Employees Retirement System (OPERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the College's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program and the Individual Account Program. The Pension Program is the defined benefit portion of the plan which applies to qualifying College employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. The Individual Account Program (IAP) is the defined contribution portion of the plan. Beginning January 1, 2004, all OPERS members' contributions go into the IAP. OPERS members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account.

Both OPERS plans provide retirement and disability benefits, postemployment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. OPERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at:
http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits Provided

A. Tier One/Tier Two Retirement Benefit - ORS Chapter 238

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

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

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

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

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

Benefit Changes after Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

B. PERS Pension Program (OPSRP-DB) – ORS Chapter 238A

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

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

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

Death Benefits - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.

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

C. OPSRP Individual Account Program (OPSRP IAP) – ORS Chapter 238A

Pension Benefits – A member of the pension program becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: The date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the OPSRP IAP is terminated, the date the active member becomes disabled, or the date the active member dies. The accounts fall under Internal Revenue Code Section 401(a).

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

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

Recordkeeping – OPERS contracts with Voya Financial to maintain IAP participant records.

Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Ultimate authority for setting and changing the laws governing contributions rests with the Oregon legislature.

Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation, which became effective July 1, 2016. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced. Employer contributions for the year ended June 30, 2018 were \$575,406, excluding amounts to fund employer specific liabilities. The rates, presented as a percentage of covered payroll, for the College in effect for the fiscal year ended June 30, 2018, were:

	Chapter 238 - Tier One and Tier Two	Chapter 238A - OPERS Pension Program (OPSRP - DB)
General Service	12.00%	5.42%

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

At June 30, 2018, the College reported a liability of \$9,843,936 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 and rolled forward to June 30, 2017. The College’s proportion of the net pension liability was based on the College’s projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers.

Rates of every employer have at least two major components:

1. Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member’s total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumptions. The UAL Rate is the upcoming year's fixed component of the cumulative amortization schedules, stated as a percent of payroll.

The employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier 1/Tier 2 payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

Since many governments in Oregon have sold pension obligation bonds and deposited the proceeds with OPERS (referred to as side accounts or transitional liability or surplus), adjustments are required. After each employer's projected long-term contribution effort is calculated, that amount is reduced by the value of the employer's side account, transitional liability/surplus, and the pre-SLGRP liability/surplus (if any). This is done as those balances increase/decrease the employer's projected long-term contribution effort because side accounts are effectively pre-paid contributions.

Looking at both rate components, the projected long-term contribution effort is the sum of the PVFNC and UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At June 30, 2018, the College's proportion was 0.07302603 percent, and was 0.07011585 percent at the prior measurement date of June 30, 2017.

For the year ended June 30, 2018, the College recognized a pension expense of \$1,561,311. At June 30, 2018, the College reports deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 476,057	\$ -
Changes of assumptions	1,794,374	-
Net difference between projected and actual earnings on investments	101,416	-
Changes in proportionate share	630,593	-
Differences between College contributions and the College's proportionate share of system contributions	-	665,065
College contributions subsequent to the measurement date	575,406	-
	\$ 3,577,846	\$ 665,065

\$575,406 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) in the year ended June 30, 2019.

The net amount of the College's deferred outflows of resources and deferred inflows of resources that will be recognized in the College's pension expense in the subsequent five years in the aggregate are shown in the table below:

Years ended June 30:	Deferred Outflow/ (Inflow) of Resources
2019	\$ 451,179
2020	1,255,675
2021	871,163
2022	(245,917)
2023	5,275
	\$ 2,337,375

Actuarial Assumptions

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One / Tier Two component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for the normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarially accrued liabilities, which are being amortized over a fixed period with new unfunded actuarially accrued liabilities being amortized over 16 years.

A summary of the economic assumptions used for the December 31, 2015 actuarial valuation is shown below:

Actuarial Methods and Assumptions	Valuation Date: December 31, 2015 Measurement Date: June 30, 2017
Experience Study	2014, published September 2015
<u>Actuarial Assumptions:</u>	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50%
Long-term expected rate of return	7.50%
Discount rate	7.50%
Projected salary increases	3.50%
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

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

Long-Term Expected Rate of Return

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

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual Return	Standard Deviation
Core Fixed Income	8.00%	4.10%	4.00%	4.68%
Short-Term Bonds	8.00%	3.65%	3.61%	2.74%
Bank/Leveraged Loans	3.00%	5.69%	5.42%	7.82%
High Yield Bonds	1.00%	6.67%	6.20%	10.28%
Large/Mid Cap US Equities	15.75%	7.96%	6.70%	17.07%
Small Cap US Equities	1.31%	8.93%	6.99%	21.35%
Micro Cap US Equities	1.31%	9.37%	7.01%	23.72%
Developed Foreign Equities	13.13%	8.34%	6.73%	19.40%
Emerging Market Equities	4.12%	10.56%	7.25%	28.45%
Non-US Small Cap Equities	1.88%	9.01%	7.22%	20.55%
Private Equity	17.50%	11.60%	7.97%	30.00%
Real Estate (Property)	10.00%	6.48%	5.84%	12.00%
Real Estate (REITS)	2.50%	8.74%	6.69%	22.02%
Hedge Fund of Funds - Diversified	2.50%	4.94%	4.64%	8.09%
Hedge Fund - Event-driven	0.63%	7.07%	6.72%	8.90%
Timber	1.88%	6.60%	5.85%	13.00%
Farmland	1.88%	7.11%	6.37%	13.00%
Infrastructure	3.75%	8.31%	7.13%	16.50%
Commodities	1.88%	6.07%	4.58%	18.40%
Assumed Inflation - Mean			2.50%	1.85%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the College’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.5 percent, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of net pension liability	\$ 16,775,865	\$ 9,843,936	\$ 4,047,560

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued OPERS financial report that can be found at <http://www.oregon.gov/pers>.

Transition Liability

The College reports a separate liability to the plan with a balance of \$1,510,708 at June 30, 2018. The liability represents the College’s allocated share of the pre-SLGRP pooled liability. The College is being assessed an employer contribution rate of 1.76% of covered payroll for the payment of this transition liability.

Note 8 - Postemployment Healthcare Plan

State Retiree Health Insurance Account (RHIA)

Oregon Public Employees Retirement System (OPERS) administers the Retirement Health Insurance Account (RHIA) cost-sharing, multiple-employer defined benefit Other Postemployment Benefit (OPEB) plan (the Plan) for units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides OPEB through the Plan. Contributions are mandatory for each employer that is a member of PERS. As of June 30, 2017, there were 796 participating employers. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700. The reports and other related schedules including plan assumptions, methods and plan provisions may also be found on the PERS website at <https://www.oregon.gov/pers/EMP/Pages/GASB.aspx>.

Plan Description (RHIA)

Oregon Revised Statute 238.420 established the Retirement Health Insurance Account (RHIA) and authorizes a payment of up to \$60 from RHIA towards the monthly cost of health insurance for eligible PERS members. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The Plan is closed to new entrants hired on or after August 29, 2003, who had not established membership prior to that date.

To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive this subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Funding Policy (RHIA)

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

For the year ended June 30, 2017, PERS employers contributed 0.08 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. PERS employers contributed 0.45 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

Actuarial Methods and Assumptions related to RHIA

The actuarial valuation calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members as of the December 31, 2015 valuation rolled forward to June 30, 2017.

The methods and assumptions shown below are based on the 2014 Experience Study, which reviewed experience for the four-year period ended on December 31, 2014. Experience studies are performed as of December 31 of even numbered years.

Key actuarial methods and assumptions used to measure the total OPEB liability are illustrated in the table below:

Actuarial Methods and Assumptions	Valuation Date: December 31, 2015 Measurement Date: June 30, 2017
Experience Study	2014, published September 2015
<u>Actuarial Assumptions:</u>	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50%
Long-term expected rate of return	7.50%
Discount rate	7.50%
Projected salary increases	3.50%
Retiree healthcare participation	Healthy retirees: 38%; Disabled retirees: 20%
Healthcare cost trend rate	Not applicable
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2016 and June 30, 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB asset.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of turn for each major asset class, calculated using both arithmetic and geometric means; see PERS' audited financial statements at: <https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx>.

Depletion Rate Projection

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 75 (paragraph 82) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB 75 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our third-party actuary's opinion that the detailed depletion date projections outlined in GASB 75 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Proportionate Share Allocation Methodology

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

Use of Estimates in the Preparation of the Schedules

The preparation of the schedules in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the College reported an asset of \$35,324 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2015. The College's proportion of the net OPEB asset was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the College's proportion was 0.0940%, which was an increase of 0.0094% from the proportion measurement of 0.0846% as of June 30, 2016.

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	16,360
Changes in proportionate share	-	1,853
Differences between College contributions and the College's proportionate share of system contributions	-	-
College contributions subsequent to the measurement date	<u>38,470</u>	<u>-</u>
	<u>\$ 38,470</u>	<u>\$ 18,213</u>

Deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date of \$38,470 will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2019.

There is \$18,213 reported as deferred inflows of resources related to RHIA resulting from the net difference between projected and actual earnings on investments and changes in proportionate share. The amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized in OPEB expense in the following years as follows:

Years ended June 30:	Deferred Outflow/ (Inflow) of Resources
2019	\$ (4,776)
2020	(4,776)
2021	(4,571)
2022	(4,090)
	\$ (18,213)

Sensitivity of RHIA Asset to Changes in the Discount Rate

The discount rate used for the fiscal year ended June 30, 2018 is 7.50%. The impact of a 1% increase or decrease in these assumptions is shown in the chart below. The following table presents the College’s proportionate share of the net OPEB asset of the RHIA OPEB asset calculated using the current discount rate as well as what the net OPEB liability/(asset) would be if calculated using one percentage point lower or one percentage higher than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of net RHIA Liability/(Asset)	\$ 4,924	\$ (35,324)	\$ (69,557)

Single Employer Retiree Health Insurance Premium Account (RHIPA)

Plan Description

The College operates a single-employer retiree benefit plan that provides postemployment health, dental, vision and prescription coverage benefits to eligible employees and their eligible dependents. This plan is not a stand-alone plan and therefore does not issue financial statements. The Plan has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy

The College contributes premiums for eligible faculty and academic professional employees and their eligible dependents up to the employer paid maximum at the time of retirement (College Paid-Cap). The employer cap separates employees into three distinct categories: faculty, staff (which includes classified, professional, and administrative staff) and part-time employees. Faculty receive an employer paid cap of \$1,600, staff receive \$1,400, and part-time employees received between 50% and 75% of the individual insurance rate based on their FTE, for the year ended June 30, 2018.

The College is required by Oregon Revised Statute 243.303 to provide retirees who qualify for retirement under Oregon PERS with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. Retired employees who are eligible for the College Paid-Cap whose College paid benefits end prior to age 65 may continue enrollment in the health plans on a self-pay basis until age 65. Retired employees who are not eligible for the College Paid-Cap may continue enrollment in the health plans on a self-pay basis until age 65.

Net OPEB Liability

The College's total OPEB liability was measured as of June 30, 2017 and the total liability of \$561,985 was determined by an actuarial valuation dated July 1, 2017. This actuarial valuation covered a measurement period of June 30, 2016 to June 30, 2017.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions	Valuation Date: July 1, 2017 Measurement Date: June 30, 2017
Actuarial Assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50%
Discount rate	2.85% for year ended June 30, 2016. 3.58% for year ended June 30, 2017.
Projected salary increases	3.50%
Healthcare cost trend rate - medical	4.25% for 2017, increasing gradually to 6.25% in 2041
Healthcare cost trend rate - dental and vision	4% per year
Mortality	RP-2014 Employee and Healthy Annuitant tables. Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.

When the financing of OPEB liabilities is on a pay-as-you-go basis, as the College does, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The discount rate was based on the Bond Buyer 20-Year General Obligation Bond Index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Inflation

The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58%) or 1 percentage point higher (4.58%) than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Proportionate share of total RHIPA Liability/(Asset)	\$ 606,171	\$ 561,985	\$ 520,744

The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a health-care cost trend rate that is 1 percentage point lower (3.25%) or 1 percentage point higher (5.25%) than the current health-care cost trend rate:

	1% Decrease (3.25%)	Healthcare Trend Rate (4.25%)	1% Increase (5.25%)
Proportionate share of total RHIPA Liability/(Asset)	\$ 502,454	\$ 561,985	\$ 631,917

OPEB Expense

The following table shows the components affecting the College's OPEB expense for the fiscal year ended June 30, 2018:

Balance as of June 30, 2017	\$ 541,267
Service cost	61,573
Interest on total OPEB liability	16,817
Recognition of Deferred (Inflows)/Outflows of Resources	
Effect of assumption changes or inputs	(31,976)
Benefit payments	(25,696)
 OPEB Expense	 20,718
 Balance as of June 30, 2018	 \$ 561,985

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the College recognized OPEB expense of \$46,921. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of assumptions	\$ -	\$ 27,655
College contributions subsequent to the measurement date	27,148	-
	\$ 27,148	\$ 27,655

The College will recognize the \$27,148 of contributions made subsequent to the measurement date in the next fiscal year. In addition, other amounts currently reported as deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Years ended June 30:	Deferred Outflow/ (Inflow of Resources)
2019	\$ (4,321)
2020	(4,321)
2021	(4,321)
2022	(4,321)
2023	(4,321)
Thereafter	(6,050)
	\$ (27,655)

Note 9 - Commitments and Contingencies

The College receives significant financial assistance from various federal, state and local governmental agencies. These funds are subject to audit and adjustment by these agencies, which may occur after the College's annual audit. Any disallowed costs, including amounts already collected, could become a liability of the general fund or other applicable funds. In the opinion of management, any such potential liability would not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the College at June 30, 2018.

Note 10 - Risk Management

The College is exposed to various risks of loss related to torts, theft, damage, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The College is insured for the physical damage to property and carries commercial insurance for all risks of loss, including workers' compensation, and employee health and accident insurance.

Note 11 - Related Party

The Treasure Valley Community College Foundation (the Foundation) provides scholarships to students of the College based upon on the terms of donations received. For the year ended June 30, 2018, the Foundation provided scholarship support of \$236,592 and program support of \$151,146. During the year ended June 30, 2018, the College provided support to the Foundation to pay salaries and benefits for the executive director and administrative personnel of \$147,842. The College donated \$11,689 and \$53,100 to the Foundation for supplies and in-kind contributions, including office space, respectively.

The College obtains their worker's compensation insurance through a firm whose partner is a member of the Board of Education. The amount paid to the insurance carrier was \$28,637 for insurance premiums and \$5,940 for consulting fees related to health insurance options during the year ended June 30, 2018.

Note 12 - Restatement for Postemployment Benefits Other than Pensions (OPEB)

As of July 1, 2017, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments to calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively remove the prior RHIPA OPEB liability reported under GASB Statement No. 45 and adopt the provisions of GASB Statement No. 75 to report the total RHIPA OPEB liability, RHIA OPEB asset, and deferred outflows of resources related to contributions made after the measurement date as follows:

Net position at June 30, 2017, as previously reported	\$ (7,138,295)
Prior period adjustment - Implementation of GASB 75	
Remove GASB 45 OPEB liability - RHIPA Plan	736,726
Deferred outflow of resource related to RHIPA plan contribution made during the year ended June 30, 2017	25,696
RHIPA plan liability	(541,267)
RHIA plan liability	(25,524)
Deferred outflow of resource related to RHIA plan contribution made during the year ended June 30, 2017	42,556
Net position at July 1, 2017, as restated	\$ (6,900,108)

Note 13 - Component Unit

Treasure Valley Community College Foundation

Foundation Operations and Significant Accounting Policies

Treasure Valley Community College Foundation (the Foundation) was organized under the provisions of the Oregon Non-Profit Corporation Act in 1962.

The Foundation encourages, receives and administers gifts and bequests for the support of the College. The Board of Directors recognizes its responsibility to manage all funds entrusted to the organization in a prudent manner, with the understanding that the primary purpose of these funds is to provide support for priority projects at the College. This includes scholarships, grants in aid, tuition waivers, educational facilities and equipment. The Foundation awards scholarships only to qualifying students attending the College who have properly completed application for admission and obtained approval for financial aid. All accepted and funded applicants must meet specific grade point average standards and any other stipulations established by the respective donor. Any other aid given directly to the College students is subject to approval by the college scholarship committee, the Foundation's Executive Director and the Foundation's Board of Directors.

The Board also recognizes a responsibility to allocate resources, striking a reasonable balance between the organization's current cash flow requirements and the equally compelling educational needs of future generations. These policies are intended to assure the optimum investment opportunity for all of the money received, whether funds are to be expended within a day or two or endowed in perpetuity.

The Foundation's financial statements are prepared in accordance with standards set by the Financial Accounting Standards Board (FASB). FASB standards require three classes of net assets: unrestricted, temporarily restricted, and permanently restricted instead of reporting by fund as is done under GASB standards. Other differences include criteria for recognizing in-kind donations and the presentation of information.

Investments

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions of market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessary correspond to the Foundation's assessment of the quality risk or liquidity profile of the asset.

A significant amount of the Foundation's investment assets are classified within Level 1 because they are comprised of investment securities with readily determinable fair values based on daily redemption values. The fixed income securities are valued by the custodians of the securities using pricing models based upon credit quality, time to maturity, stated interest rates and market rate assumptions, and are classified within Level 2.

The assets that are measured at fair value on a recurring basis as of June 30, 2018 are as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investment Securities				
Fixed Income	\$ -	\$ 524,804	\$ -	\$ 524,804
Mutual Funds				
Fixed Income Mutual Funds	509,692	-	-	509,692
Equities				
Large Cap Growth	891,734	-	-	891,734
Large Cap Value	189,214	-	-	189,214
Small/Mid Cap Growth	235,748	-	-	235,748
Small/Mid Cap Value	121,684	-	-	121,684
International Equity	307,359	-	-	307,359
Equities Blend	10,508	-	-	10,508
Exchange Traded Funds				
Fixed Income Exchange Traded Funds	1,349,109	-	-	1,349,109
Equity Exchange Traded Funds	2,054,577	-	-	2,054,577
Total assets at fair value	<u>\$ 5,669,625</u>	<u>\$ 524,804</u>	<u>\$ -</u>	<u>\$ 6,194,429</u>

Donated Materials and Services

Donated materials and services for the year ended June 30, 2018 were:

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 31,030	\$ 31,031	\$ 31,031	\$ 93,092
Employee benefits	8,009	23,371	23,371	54,751
Materials and supplies	6,557	3,766	1,366	11,689
In-kind contributions	17,700	17,700	17,700	53,100
	<u>\$ 63,296</u>	<u>\$ 75,868</u>	<u>\$ 73,468</u>	<u>\$ 212,632</u>

All donated materials and services were provided by the College.

Endowment

The Foundation’s endowment consists of approximately 100 individual funds established for a variety of purposes. The endowment consists of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Oregon Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as 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, and (b) the original value of subsequent gifts to the endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Foundation in a manner that is consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund or endowment
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

The endowment funds net asset composition at June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ 856,724	\$ 5,043,456	\$ 5,900,180

At June 30, 2018, certain donor-restricted endowment funds had fair values less than the amount of the original gifts (the permanently restricted portion of the funds).

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and scholarships supported by its endowment while seeking to maintain the fair value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide both a reasonably predictable income stream and principal appreciation that exceeds inflation. The Foundation expects its endowment funds, over time, to provide an average minimum rate of return equal to or greater than the Foundation’s spending rate percentage and management fee.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within the prudent risk constraints.

The Foundation has a policy of appropriating for annual distribution 4% of its endowment fund's average fair value over the individual endowment's average daily principal balance outstanding during the fiscal year. While the Foundation intends to maintain this 4% distribution, the annual distribution is contingent on projected revenues from investments meeting the 4% threshold for disbursement. If anticipated revenues do not meet the 4% distribution limit, the scholarships awarded for the following year are decreased to ensure corpus balances are maintained. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at the rate of inflation. This is consistent with objectives to maintain the principal of the endowment assets in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets			
Beginning of year, July 1, 2017, as restated	\$ 543,940	\$ 4,752,348	\$ 5,296,288
Investment return			
Investment income	21,336	129,856	151,192
Net realized and unrealized appreciation	37,982	231,169	269,151
Investment fees	(7,760)	(47,232)	(54,992)
Contributions	138,675	169,905	308,580
Other changes			
Transfer in Current Unrestricted per Board Resolution	208,820	-	208,820
Appropriation of endowment assets for expenditures	(81,564)	(193,530)	(275,094)
Funds transferred by donor request	(4,705)	940	(3,765)
Endowment assets			
End of year, June 30, 2018	<u>\$ 856,724</u>	<u>\$ 5,043,456</u>	<u>\$ 5,900,180</u>

The Foundation has \$1,200,075 in financial assets as of the balance sheet date, reduced by amounts not available for general use within one year because of donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriations from the endowment fund for the following year as well as donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board of Directors approves that action.

Cash	\$ 492,753
Accounts receivable	1,121
Investments	<u>6,194,429</u>
Total financial assets	6,688,303
Donor-imposed restrictions:	
Endowment fund	(5,900,180)
Add back: amounts available for expenditures in one year	321,952
Board designations:	
Operating reserves and other available for expenditure in one year	<u>90,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,200,075</u></u>



Required Supplementary Information
June 30, 2018

Treasure Valley Community College

Treasure Valley Community College
 Schedule of Employer's Share of Net RHIA OPEB Liability/(Asset)
 June 30, 2018

Schedule of Employer's Share of Net RHIA OPEB Liability/(Asset)
 Last Ten Fiscal Years*

As of the Measurement Date June 30,	(a) College's proportion of the net OPEB liability (asset)	(b) College's proportionate share of the net OPEB liability (asset)	(c) College's employee covered payroll	(b) / (c) College's proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2017	0.08464059%	\$ (35,324)	\$ 10,687,660	-0.33%	108.9%

*GASB Statement No. 75 requires presentation of information for 10 years. However, until a full 10 year trend is compiled, only those years in which information is available will be presented.

Date reported is measured as of June 30, 2017 (measurement date)

Treasure Valley Community College
 Schedule of Employer Contributions – RHIA OPEB
 June 30, 2018

Schedule of Employer Contributions
 Last Ten Fiscal Years*

<u>For Fiscal Years Ended June 30,</u>	<u>(a) Statutorily required contribution</u>	<u>(b) Contributions related to the statutorily required contribution</u>	<u>(a) - (b) Contribution deficiency (excess)</u>	<u>(c) College's covered payroll</u>	<u>(b) / (c) Contributions as a percent of covered payroll</u>
2018	\$ 38,470	\$ 38,470	\$ -	\$ 10,541,986	0.36%

*GASB Statement No. 75 requires presentation of information for 10 years. However, until a full 10 year trend is compiled, only those years in which information is available will be presented.

Date reported is as of June 30, 2018

Treasure Valley Community College
 Schedule of Changes in Total RHIPA OPEB Liability and Related Ratios
 June 30, 2018

	2018
Total RHIPA OPEB liability	
Service cost	\$ 61,573
Interest on total OPEB liability	16,817
Effect of assumptions changes or inputs	(31,976)
Benefit payments	(25,696)
Net changes in total RHIPA OPEB liability	20,718
Total RHIPA OPEB liability - beginning	541,267
Total RHIPA OPEB asset - ending	\$ 561,985
Covered-employee payroll	\$ 10,541,986
Total RHIPA OPEB asset as a percentage of covered-employee payroll	5.33%
Discount rate	7.50%

Notes to Schedule:

*GASB Statement No. 75 requires presentation of information for 10 years. However, until a full 10 year trend is compiled, only those years in which information is available will be presented.

Data reported is measured as of June 30th of each fiscal year.

No assets were accumulated in a trust.

Treasure Valley Community College
Schedule of Employer's Share of Net Pension Liability/(Asset)
June 30, 2018

As of the Measurement Date June 30,	(a) College's proportion of the net pension liability (asset)	(b) College's proportionate share of the net pension liability (asset)	(c) College's covered payroll	(b) / (c) College's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.07302603%	\$ 9,843,936	\$ 10,687,660	92.1%	83.1%
2016	0.07011585%	10,526,017	9,090,288	115.8%	80.5%
2015	0.06047771%	3,472,304	9,643,827	36.0%	91.9%
2014	0.05670943%	(1,285,441)	9,603,844	-13.4%	103.6%

GASB Statement No. 68 requires ten years of information to be presented in this table; however, until a full ten year trend is compiled, the College will present information for those years for which information is available.

Data reported is measured as of June 30.

Treasure Valley Community College
 Schedule of Employer Contributions - Pension
 June 30, 2018

For Fiscal Years Ended June 30,	(a) Statutorily required contribution	(b) Contributions related to the statutorily required contribution	(a) - (b) Contribution deficiency (excess)	(c) College's covered payroll	(b) / (c) Contributions as a percent of covered payroll
2018	\$ 575,406	\$ 575,406	\$ -	\$ 10,541,986	5.5%
2017	398,056	398,056	-	10,687,660	3.7%
2016	403,935	403,935	-	9,090,288	4.4%
2015	504,541	504,541	-	9,643,827	5.2%

GASB Statement No. 68 requires ten years of information to be presented in this table; however, until a full ten year trend is compiled, the College will present information for those years for which information is available.

Data reported is measured as of June 30.



Supplementary Information
June 30, 2018

Treasure Valley Community College

Treasure Valley Community College
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis)
General Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Revenues				
Local sources	\$ 2,610,713	\$ 2,610,713	\$ 2,906,023	\$ 295,310
State sources	6,906,005	6,906,005	6,990,369	84,364
Tuition and fees	6,008,260	6,008,260	5,572,514	(435,746)
Total revenues	15,524,978	15,524,978	15,468,906	(56,072)
Expenditures				
Instruction	6,516,975	6,516,975	6,315,011	201,964
Instruction support	732,327	732,327	670,530	61,797
Student services	2,383,479	2,333,479	2,165,150	168,329
College support services	4,217,896	4,167,896	3,981,879	186,017
Plant operation and maintenance	1,763,116	1,863,116	1,862,324	792
Plant additions	190,299	190,299	130,850	59,449
Financial aid	800,886	800,886	795,574	5,312
Operating contingency	520,000	520,000	-	520,000
Total expenditures	17,124,978	17,124,978	15,921,318	1,203,660
Excess of Revenues over (Under) Expenditures	(1,600,000)	(1,600,000)	(452,412)	1,147,588
Other Financing Sources (Uses)				
Transfers in	650,000	650,000	457,574	(192,426)
Total other financing sources (uses)	650,000	650,000	457,574	(192,426)
Excess of Revenues, Other Financing Sources Over (Under) Expenditures, Other Financing (Uses)	(950,000)	(950,000)	5,162	955,162
Available Fund Balance, July 1	1,250,000	1,250,000	1,250,700	700
Available Fund Balance, June 30	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 1,255,862</u>	<u>\$ 955,862</u>

Treasure Valley Community College
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis)
Special Projects Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Revenues				
Local sources	\$ 200,000	\$ 200,000	\$ 195,442	\$ (4,558)
Tuition and fees	1,000,000	1,000,000	1,169,591	169,591
State sources	3,500,000	3,500,000	2,207,516	(1,292,484)
Federal sources	3,000,000	3,000,000	1,711,365	(1,288,635)
Total revenues	7,700,000	7,700,000	5,283,914	(2,416,086)
Expenditures				
Instruction	5,360,000	5,360,000	4,119,992	1,240,008
Supporting services	2,200,000	2,200,000	964,072	1,235,928
Total expenditures	7,560,000	7,560,000	5,084,064	2,475,936
Other financing sources (uses)				
Transfers out	(140,000)	(140,000)	(114,241)	25,759
Total other financing sources (uses)	(140,000)	(140,000)	(114,241)	25,759
Excess of Revenues, Other Financing Sources, Over (Under) Expenditures	-	-	85,609	85,609
Available Fund Balance, July 1	-	-	83,224	83,224
Available Fund Balance, June 30	\$ -	\$ -	\$ 168,833	\$ 168,833

Treasure Valley Community College
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis)
Debt Service Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Revenues				
State grants	\$ 1,074,435	\$ 1,824,435	\$ 1,070,827	\$ (753,608)
Total revenues	<u>1,074,435</u>	<u>1,824,435</u>	<u>1,070,827</u>	<u>(753,608)</u>
Expenditures				
Debt service	1,774,692	2,524,692	1,647,089	877,603
Total expenditures	<u>1,774,692</u>	<u>2,524,692</u>	<u>1,647,089</u>	<u>877,603</u>
Excess of Revenues over (Under) Expenditures	<u>(700,257)</u>	<u>(700,257)</u>	<u>(576,262)</u>	<u>123,995</u>
Other Financing Sources (Uses)				
Transfer from other funds	700,257	700,257	576,262	(123,995)
Total other financing sources (uses)	<u>700,257</u>	<u>700,257</u>	<u>576,262</u>	<u>(123,995)</u>
Excess of Revenues, Other Financing Sources Over (Under) Expenditures, Other Financing (Uses)	-	-	-	-
Available Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Available Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Treasure Valley Community College
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis)
Capital Projects Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Revenues				
Local sources	\$ 35,000	\$ 35,000	\$ -	\$ (35,000)
State sources	4,000,000	4,000,000	-	(4,000,000)
Federal sources	3,000,000	3,000,000	-	(3,000,000)
Total revenues	<u>7,035,000</u>	<u>7,035,000</u>	<u>-</u>	<u>(7,035,000)</u>
Expenditures				
Facilities acquisition and construction	<u>7,035,000</u>	<u>7,035,000</u>	<u>1,452,302</u>	<u>5,582,698</u>
Total expenditures	<u>7,035,000</u>	<u>7,035,000</u>	<u>1,452,302</u>	<u>5,582,698</u>
Excess of Revenues over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(1,452,302)</u>	<u>(1,452,302)</u>
Other Financing Sources (Uses)				
Proceeds from LT debt	<u>-</u>	<u>-</u>	<u>1,616,326</u>	<u>1,616,326</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,616,326</u>	<u>1,616,326</u>
Excess of Revenues, Other Other Financing (Uses)	-	-	164,024	164,024
Available Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Available Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,024</u>	<u>\$ 164,024</u>

Treasure Valley Community College
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis)
Reserve Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Revenues				
Local sources	\$ 2,000,000	\$ 2,000,000	\$ 942,048	\$ (1,057,952)
Tuition and fees	150,000	150,000	60,900	(89,100)
Total revenues	<u>2,150,000</u>	<u>2,150,000</u>	<u>1,002,948</u>	<u>(1,147,052)</u>
Expenditures				
Support services	1,500,000	1,500,000	714,282	785,718
Facilities acquisition and construction	400,000	400,000	124,438	275,562
Total expenditures	<u>1,900,000</u>	<u>1,900,000</u>	<u>838,720</u>	<u>1,061,280</u>
Excess of Revenues over (Under) Expenditures	<u>250,000</u>	<u>250,000</u>	<u>164,228</u>	<u>(85,772)</u>
Other Financing Sources (Uses)				
Transfers from other funds	150,000	150,000	50,000	(100,000)
Transfer to General Fund	(401,958)	(401,958)	(354,274)	47,684
Total other financing sources (uses)	<u>(251,958)</u>	<u>(251,958)</u>	<u>(304,274)</u>	<u>(52,316)</u>
Excess of Revenues, Other Financing Sources Over (Under) Expenditures, Other Financing (Uses)	(1,958)	(1,958)	(140,046)	(138,088)
Available Fund Balance, July 1	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,174,927</u>	<u>(175,073)</u>
Available Fund Balance, June 30	<u>\$ 1,348,042</u>	<u>\$ 1,348,042</u>	<u>\$ 1,034,881</u>	<u>\$ (313,161)</u>

Treasure Valley Community College
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis)
Student Financial Aid Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Revenues				
Local sources	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
State sources	500,000	500,000	525,530	25,530
Federal sources	15,000,000	15,000,000	8,320,088	(6,679,912)
Total revenues	<u>15,525,000</u>	<u>15,525,000</u>	<u>8,845,618</u>	<u>(6,679,382)</u>
Expenditures				
Supporting services	<u>15,525,000</u>	<u>15,525,000</u>	<u>8,844,859</u>	<u>6,680,141</u>
Total expenditures	<u>15,525,000</u>	<u>15,525,000</u>	<u>8,844,859</u>	<u>6,680,141</u>
Excess of Revenues over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>759</u>	<u>759</u>
Other Financing Sources (Uses)				
Transfers from other funds	5,000,000	5,000,000	-	(5,000,000)
Transfers to other funds	<u>(5,000,000)</u>	<u>(5,000,000)</u>	<u>-</u>	<u>5,000,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues, Other Financing Sources Over (Under) Expenditures, Other Financing (Uses)	-	-	759	759
Available Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Available Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 759</u>	<u>\$ 759</u>

Treasure Valley Community College
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis)
Auxiliary Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Operating Revenues				
Sales	\$ 3,000,000	\$ 3,000,000	\$ 1,659,573	\$ (1,340,427)
Tuition and fees	2,000,000	2,000,000	1,289,809	(710,191)
Total operating revenues	<u>5,000,000</u>	<u>5,000,000</u>	<u>2,949,382</u>	<u>(2,050,618)</u>
Operating Expenses				
Instruction	1,800,000	2,300,000	751,740	1,548,260
Enterprise services	2,500,000	2,000,000	1,869,685	130,315
Total operating expenses	<u>4,300,000</u>	<u>4,300,000</u>	<u>2,621,425</u>	<u>1,678,575</u>
Operating Income	<u>700,000</u>	<u>700,000</u>	<u>327,957</u>	<u>(372,043)</u>
Other Financing Sources (Uses)				
Transfer to other funds	<u>(718,000)</u>	<u>(718,000)</u>	<u>(443,000)</u>	<u>275,000</u>
Total other financing sources (uses)	<u>(718,000)</u>	<u>(718,000)</u>	<u>(443,000)</u>	<u>275,000</u>
Excess of Revenues, Other Financing Sources Over (Under) Expenditures, Other Financing (Uses)	(18,000)	(18,000)	(115,043)	(97,043)
Available Fund Balance, July 1	<u>4,000,000</u>	<u>4,000,000</u>	<u>3,443,214</u>	<u>(556,786)</u>
Available Fund Balance June 30	<u>\$ 3,982,000</u>	<u>\$ 3,982,000</u>	<u>\$ 3,328,171</u>	<u>\$ (653,829)</u>



Other Information
June 30, 2018

Treasure Valley Community College

Treasure Valley Community College
Combining Balance Sheet – Proprietary Fund Types – Auxiliary
June 30, 2018

	<u>Bookstore</u>	<u>Food Service</u>	<u>Housing</u>	<u>Printing</u>	<u>Caldwell Center</u>	<u>Totals, June 30, 2018</u>
Assets						
Cash and cash items	\$ 1,000	\$ -	\$ 80	\$ -	\$ 440	\$ 1,520
Interfund receivable	-	-	99,325	24,540	-	123,865
Prepaid assets	-	-	-	-	4,679	4,679
Receivables	115,374	-	-	-	-	115,374
Inventory	273,623	-	-	-	-	273,623
Fixed assets (net of accumulated depreciation)	38,943	5,082	4,243,588	9,700	41,328	4,338,641
	<u>\$ 428,940</u>	<u>\$ 5,082</u>	<u>\$ 4,342,993</u>	<u>\$ 34,240</u>	<u>\$ 46,447</u>	<u>\$ 4,857,702</u>
Liabilities and Net Position						
Liabilities						
Accrued payroll	\$ -	\$ -	\$ 1,604	\$ 1,706	\$ 23,299	\$ 26,609
Accounts payable	42,142	-	-	-	112,853	154,995
Deposits payable	-	-	23,500	-	-	23,500
Interfund payable	343,392	197,954	-	-	783,081	1,324,427
Total liabilities	<u>385,534</u>	<u>197,954</u>	<u>25,104</u>	<u>1,706</u>	<u>919,233</u>	<u>1,529,531</u>
Net Position						
Unrestricted	<u>43,406</u>	<u>(192,872)</u>	<u>4,317,889</u>	<u>32,534</u>	<u>(872,786)</u>	<u>3,328,171</u>
Total net position	<u>43,406</u>	<u>(192,872)</u>	<u>4,317,889</u>	<u>32,534</u>	<u>(872,786)</u>	<u>3,328,171</u>
	<u>\$ 428,940</u>	<u>\$ 5,082</u>	<u>\$ 4,342,993</u>	<u>\$ 34,240</u>	<u>\$ 46,447</u>	<u>\$ 4,857,702</u>

Treasure Valley Community College
 Combined Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund Types – Auxiliary
 Year Ended June 30, 2018

	<u>Bookstore</u>	<u>Food Service</u>	<u>Housing</u>	<u>Printing</u>	<u>Caldwell Center</u>	<u>Totals, June 30, 2018</u>
Operating Revenues						
Sale of textbooks and school supplies	\$ 763,314	\$ -	\$ -	\$ -	\$ -	\$ 763,314
Food and catering sales	-	409,357	-	-	-	409,357
Housing income	-	-	486,902	-	-	486,902
Printing income	-	-	-	145,616	-	145,616
Tuition and fees	-	-	-	-	1,144,193	1,144,193
Total operating revenues	763,314	409,357	486,902	145,616	1,144,193	2,949,382
Operating Expenses						
Salaries and benefits	152,705	16,828	97,002	45,851	747,765	1,060,151
Cost of goods sold	524,597	-	-	32,042	-	556,639
Travel and mileage	431	-	-	-	2,368	2,799
Materials and supplies	-	82	15,286	17,116	7,832	40,316
Rent	-	2,184	141	-	201,512	203,837
Outside services	11,998	349,363	35,095	-	46,423	442,879
Repairs and maintenance	-	-	399	-	14,431	14,830
Printing	1,582	490	1,888	8,492	10,976	23,428
Other expense	698	-	16,216	-	14,377	31,291
Depreciation	9,123	1,084	153,426	3,628	10,141	177,402
Utilities	-	-	-	-	61,300	61,300
Bad debts	3,636	-	-	-	2,917	6,553
Total operating expenses	704,770	370,031	319,453	107,129	1,120,042	2,621,425
Operating Income	58,544	39,326	167,449	38,487	24,151	327,957

Treasure Valley Community College
 Combined Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund Types – Auxiliary
 Year Ended June 30, 2018

	<u>Bookstore</u>	<u>Food Service</u>	<u>Housing</u>	<u>Printing</u>	<u>Caldwell Center</u>	<u>Totals, June 30, 2018</u>
Other Financing Sources (Uses)						
Transfer to other funds	<u>(65,000)</u>	<u>-</u>	<u>(353,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(443,000)</u>
Total other financing sources (uses)	<u>(65,000)</u>	<u>-</u>	<u>(353,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(443,000)</u>
Net Position, Beginning of Year	<u>49,862</u>	<u>(232,198)</u>	<u>4,503,440</u>	<u>19,047</u>	<u>(896,937)</u>	<u>3,443,214</u>
Net Position, End of Year	<u>\$ 43,406</u>	<u>\$ (192,872)</u>	<u>\$ 4,317,889</u>	<u>\$ 32,534</u>	<u>\$ (872,786)</u>	<u>\$ 3,328,171</u>

Treasure Valley Community College
 Combined Statement of Cash Flows – Proprietary Fund Types – Auxiliary
 Year Ended June 30, 2018

	<u>Bookstore</u>	<u>Food Service</u>	<u>Housing</u>	<u>Printing</u>	<u>Caldwell Center</u>	<u>Totals, June 30, 2018</u>
Operating Activities						
Cash received from customers	\$ 745,832	\$ 409,357	\$ 498,002	\$ 145,616	\$ 1,144,193	\$ 2,943,000
Payments to employees	(157,117)	(16,828)	(97,707)	(45,751)	(759,484)	(1,076,887)
Payments to suppliers	(521,118)	(352,119)	(69,025)	(57,650)	(458,043)	(1,457,955)
Net Cash from (used for) Operating Activities	<u>67,597</u>	<u>40,410</u>	<u>331,270</u>	<u>42,215</u>	<u>(73,334)</u>	<u>408,158</u>
Noncapital Financing Activities						
Increase (decrease) in interfund receivable/payable	(2,597)	(40,410)	21,730	(17,215)	73,516	35,024
Operating transfers out	(65,000)	-	(353,000)	(25,000)	-	(443,000)
Net Cash from (used for) Noncapital Financing Activities	<u>(67,597)</u>	<u>(40,410)</u>	<u>(331,270)</u>	<u>(42,215)</u>	<u>73,516</u>	<u>(407,976)</u>
Net Change in Cash	-	-	-	-	182	182
Net Cash and Cash Items, Beginning of Year	<u>1,000</u>	<u>-</u>	<u>80</u>	<u>-</u>	<u>258</u>	<u>1,338</u>
Net Cash and Cash Items, End of Year	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 440</u>	<u>\$ 1,520</u>

Treasure Valley Community College
 Combined Statement of Cash Flows – Proprietary Fund Types – Auxiliary
 Year Ended June 30, 2018

	<u>Bookstore</u>	<u>Food Service</u>	<u>Housing</u>	<u>Printing</u>	<u>Caldwell Center</u>	<u>Totals, June 30, 2018</u>
Reconciliation of Operating Income to Net Cash from Operating Activities						
Operating Income	\$ 58,544	\$ 39,326	\$ 167,449	\$ 38,487	\$ 24,151	\$ 327,957
Depreciation	9,123	1,084	153,426	3,628	10,141	177,402
(Increase) decrease in accounts receivable (net)	(17,482)	-	-	-	-	(17,482)
(Increase) decrease in inventory	(20,318)	-	-	-	-	(20,318)
(Increase) decrease in prepaid assets	-	-	-	-	321	321
Increase (decrease) in accounts payable	42,142	-	-	-	(96,228)	(54,086)
Increase (decrease) in payroll payable	(4,412)	-	(705)	100	(11,719)	(16,736)
Increase (decrease) in deposits payable	-	-	11,100	-	-	11,100
Net Cash from (used for) Operating Activities	<u>\$ 67,597</u>	<u>\$ 40,410</u>	<u>\$ 331,270</u>	<u>\$ 42,215</u>	<u>\$ (73,334)</u>	<u>\$ 408,158</u>

Treasure Valley Community College
Statement of Property Tax Transactions
June 30, 2018

Tax Year Special Levy All Counties	Uncollected Taxes June 30, 2017	2017-2018 Assessment	Adjustments	Rebates Allowed	Interest	Taxes Collected	Total Amount Collected	Uncollected Taxes June 30, 2018
2017-2018	\$ -	\$ 2,530,927	\$ 3,612	\$ 59,793	\$ 1,954	\$ 2,387,156	\$ 2,389,110	\$ 80,366
2016-2017	74,884	-	1,584	-	2,319	31,081	33,400	42,219
2015-2016	38,174	-	392	-	2,708	15,176	17,884	22,606
2014-2015	23,087	-	379	-	4,060	14,242	18,302	8,466
2013-2014	9,644	-	362	-	2,874	8,501	11,375	781
2012-2013	1,505	-	362	-	347	742	1,089	401
2011-2012	1,097	-	360	-	308	541	849	196
Prior years	709	-	9	-	496	583	1,079	117
Total	<u>\$ 149,100</u>	<u>\$ 2,530,927</u>	<u>\$ 7,060</u>	<u>\$ 59,793</u>	<u>\$ 15,066</u>	<u>\$ 2,458,022</u>	<u>\$ 2,473,088</u>	<u>\$ 155,152</u>

Treasure Valley Community College
Statement of Assets, Liabilities, and Fund Balance – General Fund
Year Ended June 30, 2018

Assets	
Cash and cash equivalents	\$ 1,788,016
Accounts receivable, net	1,093,778
Due from other funds	<u>237,618</u>
	<u>\$ 3,119,412</u>
Liabilities	
Accounts payable	\$ 729,165
Payroll liabilities	865,015
Unearned revenue	<u>269,370</u>
Total liabilities	1,863,550
Fund Balance	<u>1,255,862</u>
	<u>\$ 3,119,412</u>

Treasure Valley Community College
 Historical Property Values and General Obligation Legal Debt Capacity
 Year Ended June 30, 2018

Fiscal Year	Measure 5 Real Market Value	Total Assessed Value	% AV Growth
2018	\$ 2,610,710,000	\$ 2,169,853,000	10.65%
2017	2,303,823,037	1,961,033,816	10.15%
2016	2,030,563,331	1,780,364,713	2.75%
2015	1,999,474,573	1,732,664,506	2.90%
2014	1,934,924,557	1,683,880,925	-2.25%
2013	1,996,579,975	1,722,597,592	6.71%
2012	1,915,006,675	1,614,261,739	1.95%
2011	2,032,940,238	1,583,378,391	3.72%
2010	2,065,610,076	1,526,586,029	3.57%
2009	2,001,937,822	1,473,990,650	5.02%
2008	1,838,225,220	1,403,564,969	3.48%
2007	1,671,097,840	1,356,378,265	2.08%
2006	1,547,887,690	1,328,764,895	4.22%
2005	1,506,054,290	1,274,997,655	3.09%
2004	1,450,814,560	1,236,815,526	2.41%
2003	1,421,109,120	1,207,731,074	1.84%
2002	1,448,793,430	1,185,961,331	7.03%
2001	1,397,851,930	1,108,062,481	-

Source: Oregon Department of Revenue, Research Section

General Obligation Legal Debt Capacity

Real Market Value (Fiscal Year 2017)	<u>\$ 2,610,710,000</u>
G.O. Bond Debt Capacity	39,160,650
Less: Outstanding Debt Subject to Limit	<u>-</u>
Remaining General Obligation Debt Capacity	<u><u>\$ 39,160,650</u></u>
Percent of Debt Capacity Issued	0%

Treasure Valley Community College
District Major Taxpayers
Year Ended June 30, 2018

Taxpayer	Business/Service	Tax ⁽¹⁾	Assessed Value ⁽²⁾	Percent of Value
HJ Heinz Company LP	Food Processing	\$ 1,748,399	\$ 121,906,144	5.31%
Idaho Power Co.	Utilities	1,435,140	124,759,156	5.43%
Fry Foods Inc.	Food Processing	258,574	24,651,010	1.07%
EP Minerals LLC		157,948	15,893,834	0.69%
CCP OR Fund LLC		1,183,893	97,700,000	4.25%
USG Oregon LLC		1,138,924	108,812,000	4.74%
Wal-Mart Rest Est Business Trs	Retail	189,166	12,697,079	0.55%
Americold Realty Inc.		167,770	11,627,430	0.51%
Level 3 Communications LLC	Communication	155,489	13,585,791	0.59%
Union Pacific Railroad Co.	Freight/Transportation	215,243	14,444,010	0.63%
Subtotal - Ten of District's Largest Taxpayers			<u>546,076,454</u>	<u>23.78%</u>
All Other District's Taxpayers			<u>1,750,373,681</u>	<u>76.22%</u>
Total District			<u><u>\$ 2,296,450,135</u></u>	<u><u>100.00%</u></u>

(1) Tax amount is the total tax paid by the taxpayer within the boundaries of Malheur County. This amount is distributed to individual local governments by Malheur County. A breakdown of amounts paid to each individual local government is not available.

(2) Assessed value does not exclude offsets such as urban renewal and farm tax credits.

Oregon Administration Rules 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required financial statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.



Independent Auditor's Report Required by Oregon State Regulations

To the Board of Education
Treasure Valley Community College
Ontario, Oregon

We have audited the basic financial statements of Treasure Valley Community College (the College) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 19, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 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 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 162-010-000 through 162-010-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



For Eide Bailly LLP
Boise, Idaho
December 19, 2018



Single Audit Section
June 30, 2018

Treasure Valley Community College

Treasure Valley Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-Through Number	Expenditures
<u>U.S. Department of Education</u>			
Direct Programs			
Student Financial Assistance Cluster			
Pell Grant Program	84.063		\$ 3,545,087
SEOG Program	84.007		118,029
College Work Study Program	84.033		80,782
Direct Loan Program	84.268		<u>4,576,190</u>
Total Student Financial Assistance Cluster			<u>8,320,088</u>
Migrant Education - Basic Grant			
High School Equivalency Program (HEP)	84.141A		616,696
College Assistance Migrant Program (CAMP)	84.149A		353,065
Title III, Part A Higher Education Act			
Higher Education - Institutional Aid	84.031A		<u>555,031</u>
Total Direct Programs			<u>9,844,880</u>
Passed through Oregon State Dept. of Education			
Adult Education - Basic Grants to State			
Adult Basic Education (ABE)	84.002	16-366Q	82,553
Vocational Education - Basic Grant			
Perkins	84.048A	19175	58,370
Migrant Education Program			
TVCC Leadership Institute	84.011	S011A170037	<u>10,384</u>
Total Passed through Oregon State Dept. of Education			<u>151,307</u>
Total Department of Education			<u>9,996,187</u>
<u>U.S. Small Business Administration</u>			
Passed through Oregon State SBA Director			
Small Business Administration	59.037	SBHQ-12-B-0069	<u>35,266</u>
Total Federal Financial Assistance			<u><u>\$ 10,031,453</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Treasure Valley Community College (the College) under programs of the federal government for the year ended June 30, 2018. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net or cash flows for the College. The College received federal awards both directly from federal agencies and indirectly through pass-through entities.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College's summary of significant accounting policies is presented in Note 1 in the College's basic financial statements. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The College has not elected to use the 10% de minimus cost rate.



Independent Auditor’s 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*

To the Board of Education
Treasure Valley Community College
Ontario, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Treasure Valley Community College, (the College) and its discretely presented component unit as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements, and have issued our report thereon dated December 19, 2018. The financial statements of the Treasure Valley Community College Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Treasure Valley Community College Foundation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
December 19, 2018



Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Education
Treasure Valley Community College
Ontario, Oregon

Report on Compliance for the Major Federal Program

We have audited Treasure Valley Community College’s (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College’s major federal program for the year ended June 30, 2018. The College’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance on the major federal program. However, our audit does not provide a legal determination of the College’s compliance.

Basis for Qualified Opinion on Student Financial Aid Cluster

As described in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding CFDA’s 84.063, 84.007, 84.033, and 84.268 Student Financial Aid Cluster as described in findings 2018-001 and 2018-002 for Reporting and Special Tests and Provisions: Return of Title IV Funds, respectively. Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

Qualified Opinion on Student Financial Aid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be material weaknesses.

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's response were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Eide Bailly LLP

Boise, Idaho
December 19, 2018

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
U.S. Department of Education Direct Programs Student Financial Aid Cluster	
Pell Grant	84.063
Supplemental Education Opportunity Grant	84.007
Work-Study Program	84.033
Direct Loan Program	84.268

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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SECTION II - Financial Statement Findings

None Noted

SECTION III - Federal Award Findings and Questioned Costs

2018-001

Direct Programs – Department of Education

CFDA# 84.063, 84.007, 84.268, 84.033

Student Financial Aid Cluster

Reporting

Material Noncompliance and Material Weakness in Internal Control over Compliance

Criteria:

An Institution must report all loan disbursements and Pell disbursements within 15 days after the school makes a payment or becomes aware of the need to make an adjustment to a previously reported student payment data or expected student payment data. Additionally, the information reported should be accurate.

Condition:

During our testing of direct loan disbursements to students in FY2018, there were 58 instances out of 60 students tested in which the College did not submit the disbursement records within 15 days of disbursement for one or more of the terms for that student during FY2018.

During our testing of Pell payments disbursed to students in FY2018, there were 54 instances out of 60 students tested in which the College did not submit the disbursement records within 15 days of disbursement for one or more of the terms for that student during FY2018.

Cause:

The College does not have a control system in place to ensure that all loan and Pell disbursements are reported and records submitted accurately to COD within the required timeframe.

Effect:

COD was not updated to reflect disbursements within the 15 days of disbursement requirement.

Questioned Costs:

None Reported

Context/Sampling:

A nonstatistical sample of 60 students out of 1,188 students were selected for reporting testing.

Repeat Finding from Prior Year:

Yes, prior year finding 2017-001.

Recommendation:

The College should implement a process to ensure that disbursements are reported accurately to COD within the 15 day requirement. The College should periodically test this process to ensure that the 15 day requirement is being met.

Views of the Responsible Officials:

The College agrees with the finding.

2018-002

Direct Programs – Department of Education

CFDA# 84.063, 84.007, 84.268, 84.033

Student Financial Aid Cluster

Special Tests and Provisions: Return of Title IV Funds

Material Noncompliance and Material Weakness in Internal Control over Compliance

Criteria:

34 CFR Section 685.309 states that an Institution shall ensure that all information reported to the Secretary is within the required time frame. The NSLDS Enrollment Reporting Guide further states that the information that is reported to the Secretary is accurate in addition to timely.

Condition:

During our testing of students that were disbursed financial aid in fiscal year 2018, there were 9 instances out of 14 in which the student withdrawal date used in the R2T4 calculation was incorrect. In addition the student withdraw dates reported to the National Student Clearinghouse (NCS) were not accurate.

Cause:

The College's existing control procedures for reviewing the calculation of R2T4 was not strong enough to identify the incorrect withdraw date. Also, the current control structure over reporting student withdraw dates to National Student Clearinghouse (NSC) timely and accurately were not strong enough to identify all inaccuracies.

Effect:

The withdraw date used in the R2T4 calculation was incorrect. The withdraw date reported to the NSC was incorrect.

Questioned Costs:

None Reported

Context/Sampling:

A nonstatistical sample of 14 students for which an R2T4 calculation was performed out of 69 total students who had an R2T4 calculation conducted were selected for R2T4 testing.

Repeat Finding from Prior Year:

Yes, prior year finding 2017-002.

Recommendation:

The College should review the current control process over the R2T4 calculations to ensure that the proper withdraw dates are used in the calculation.

The College should implement a control process in which the information provided to the NSLDS is complete and accurate. The College should periodically monitor this process to ensure that it is working effectively.

Views of the Responsible Officials:

The College agrees with the finding.