

Comprehensive Annual Financial Report

Rogue Community College

Grants Pass, Oregon

For the Year Ended June 30, 2007

Report prepared by the Budget and Financial Services Department

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Rogue Community College

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December 17, 2007

The Board of Education
Rogue Community College
Grants Pass, Oregon

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Rogue Community College (the College) for the fiscal year ended June 30, 2007, together with the audit opinion therein of our auditors as required by Oregon State Statutes. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the College. We believe the financial statements and related information are stated fairly in all material aspects in reflecting the financial position and results of operations of the College. All disclosures necessary to enable the reader to gain maximum understanding of the College's financial affairs have been included.

This report consists of management's representations concerning the finances of Rogue Community College. To provide a reasonable basis for making these representations, management of Rogue Community College has established a comprehensive internal control framework that is designed both to protect the College's assets from loss, theft, or misuse; and, to compile sufficient reliable information for the preparation of Rogue Community College's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefit, Rogue Community College's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Rogue Community College's Management Discussion and Analysis (MD&A) can be found immediately following the independent auditor's report in the Financial Section.

The Comprehensive Annual Financial Report is organized in five sections, as follows:

1. The Introductory Section contains the letter of transmittal with an overview of the College that includes factors affecting the financial condition and other supplementary information, a listing of principal officials, and organization chart.
2. The Financial Section includes the independent auditor's report, the MD&A, basic financial statements, including notes to the financial statements, and other supplementary information.
3. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.
4. The Audit Comments Section includes the independent auditor's comments required by the Minimum Standards for Audits of Oregon Municipal Corporations.

5. The Government Auditing Standards Section includes information related to the Single Audit Act and Government Auditing Standards, including the schedule of expenditures of federal awards and the various independent auditors' reports. The College is required to have an annual single audit in conformity with the provisions of the Federal Single Audit Act of 1984 and United States Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The College's CAFR has been prepared in accordance with accounting principles generally accepted in the United States of America as set forth by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, the American Institute of Certified Public Accountants and other recognized standard setting bodies. You will find a summary of significant accounting policies in the notes accompanying the basic financial statements.

The annual budget serves as the foundation for Rogue Community College's financial planning and control. Rogue Community College is required by the State of Oregon to adopt an annual budget subject to the requirements of "Local Budget Law" as addressed in Oregon Revised Statutes 294.305 through 294.565. The budget is a plan for the financial operations to be conducted during the coming fiscal year and is adopted annually, prior to July 1.

The budget committee is comprised of fourteen (14) members: seven (7) members of the advisory committee and seven (7) elected Board of Education members, each representing one of seven zones. In the 1996 regular session of the Oregon General Assembly, House Bill 2972 was enacted creating new provisions for the annexed Rogue Community College District. One provision was that the Rogue Community College Board of Education appoints an advisory committee of seven members, including three from Josephine County and three from Jackson County and one at-large member from persons nominated by the advisory committee. Members of the advisory committee are then appointed to the Rogue Community College District budget committee. Appointed members serve three-year terms.

It is the duty of the budget committee to analyze and approve the College's proposed operating budget and forward its recommendations to the Board for final consideration. As a part of the budget review and approval process, the budget committee holds public meetings at which citizens of the community are invited to give testimony on the budget before it is approved by the budget committee.

Following approval of the budget committee, the Rogue Community College Board of Education holds a public hearing on the budget. The purpose of this hearing is to provide the citizens of the community an opportunity to give testimony on the budget approved by the budget committee before it is adopted by the Rogue Community College Board of Education. The budget committee acts on fiscal matters, not on educational and personnel matters.

Rogue Community College maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Rogue Community College Board of Education. Activities of all funds required by state law to be budgeted are included in the annual appropriated budget.

The level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) for all funds is established at the object level. Transfers of appropriations between existing budget categories can be authorized by resolution of the Rogue Community College Board of Education.

As demonstrated by the statements and schedules included in the financial section of this report, Rogue Community College continues to meet its responsibilities for sound financial management. Budget-to-actual comparisons are provided in this report as part of the Other Supplementary Information in the Financial Section.

About the College

Rogue Community College was established in November 1970 by the vote of the electorate of Josephine County. On May 21, 1996, voters in Jackson and Josephine Counties approved the expansion of the College's boundaries to encompass both counties. The annexation was effective July 1, 1997.

The College was named for the Rogue River, which starts at Crater Lake and extends for 215 miles to the Pacific Ocean. As the river leaves the Cascade Mountains, it winds its way through the Rogue Valley that comprises Josephine and Jackson counties. The Rogue Valley is located midway between Seattle and San Francisco on the Interstate 5 corridor and extends to the Oregon-California border.

The College's full-time equivalent (FTE) number of students for 2006/07 was 4,418 and the unduplicated headcount for the same period was 19,737.

District Demographics

The Rogue Community College District covers a 4,453-square-mile area encompassing Josephine and Jackson counties. Total population for the two counties in 2006 is estimated at 279,740, which is a 8.9% increase since 2000.

The College's founding campus is located on an 88-acre wooded site five miles west of the city of Grants Pass. The campus was originally constructed in the late 1960's as a federal training facility known as the Fort Vannoy Jobs Corps Training Center. Remodeled in 1989, the spacious campus of wood-framed buildings creates an informal atmosphere with several more recently constructed buildings providing additional classrooms and modern laboratory space.

Upon annexation of Jackson County by the College district, the Riverside Campus was established in downtown Medford, where it plays a key role in the educational and cultural renaissance occurring in Medford. The Riverside Campus has grown to encompass seven buildings totaling more than 76,922 square feet. The College now owns four of these buildings.

The College, in conjunction with SOU, is building a Higher Educational Center that will provide a stimulus for flexible post-secondary education, as well as economic and cultural development in the greater Medford area. The 68,700 square foot building is being developed at an estimated cost of \$22.2 million. RCC's share of this cost is \$11.1 million which includes \$4.1 million from state bonding authority and \$7 million in local bonds approved by Jackson County voters in 2005. Approximately one-third of the space will be operated by both institutions to provide shared services, such as transfer center to assist students in making smooth transitions from RCC to SOU. The remaining space will be divided equally between RCC and SOU for programs and services unique to each institution, while continuing the practice of sharing spaces and resources for maximum effectiveness. In addition to being an example of cooperation and collaboration between the two institutions, the new RCC/SOU Higher Education Center serves as a model of environmental stewardship. The design team worked with faculty, staff, students and community members to establish the green priorities for the project, which is anticipated to provide a Leadership in Environmental Design (LEED) Silver certification from the U.S. Green Building Council.

RCC also leases 12,000 square feet from the Jackson County Library in its Central Library in downtown Medford.

In fall 2005, the College opened the Table Rock Campus in White City, Oregon. The 102,000 square-foot building is home to the College's technical and professional training programs. Programs include manufacturing, electronics, fire science, construction, emergency medical technology and diesel technology.

Economic Outlook

The unemployment rate for the Rogue Valley is improving. The unemployment rate fell in the Rogue Valley from 6.45% in 2006 to 6.25% in 2007. The regions unemployment rate for 2007 has not been lower since 1990.

The strength of the health care, retail and other service sectors, manufacturing and construction has contributed to the valley's stability during the latest recession. According to the Oregon Employment Department projections, the Valley has a solid potential for economic growth in the next five to eight years. It is estimated to be the fastest-growing region in Oregon, adding 15.6% of the jobs in Oregon.

The economy in the Valley is showing steady diversification into business services, food manufacturing and finance and insurance companies. Diversification in an economy is generally considered an important stabilizing factor and a buffer against volatile business cycles.

Recent expansion of the region's industry leaders, Fire Mountain Gems and Amy's Kitchen, is another sign that the businesses have confidence in the quality of the local workforce and the economic future of the area.

The Rogue River, Crater Lake National Park and the Oregon Caves National Monument provide for many recreational opportunities in the region. Performing arts are also popular in the region including the world-famous

Shakespeare Festival in Ashland, the Britt Music Festival in Jacksonville and Rogue Music Theater in Grants Pass. These recreational opportunities support a large tourism service economy.

During the last biennium, the College has experienced a decline in State support, one of its major revenue sources. The reason for the decline is directly related to the new distribution formula. The new distribution formula for the Community College Support Fund is a Total Public Resource (TPR) per Full-Time Equivalence (FTE) model. Under this new model, all state resources and local property taxes are pooled together and within six years, will be distributed equally between all 17 Oregon Community College based upon FTE. The formula is based on a weighted average of 40/30/30 for the three prior years. Since the formula is based on a weighted average, and the College saw a larger than average decline in FTE over the last four years, the College is negatively affected. In addition the Valley is experiencing rapid growth, causing property tax revenue to increase faster than the state average. Because the formula includes all property taxes, our TPR/FTE is higher than many other schools. These changes will reduce State support received per FTE.

Another issue affecting community colleges is the increasing costs of the employer paid portion of the Oregon Public Employees Retirement System (PERS). The College issued a Limited Tax Pension Obligation Bond in 2005 in an attempt to stabilize the ever increasing employer rates. The bond issue of \$25 million fully funded the College's Unfunded Actuarial Liability (UAL). PERS is holding the funds in a separate trust in the College's name. Over the last year the investment earned approximately 14.98% interest which still exceeds the 4.643% bond interest. The resources to repay the bonds are generated by charging departments in the College a rate that will ensure there are funds available for debt payment throughout the life of the bonds.

The College has proactively managed its budget based on reasonable projections of future findings. This enables the College to continue to meet its student-centered mission. The College continually develops five-year financial plans to ensure the financial viability of the College and works with the Budget Advisory Group to develop the budget.

Long-Term Financial Planning

The Rogue Valley's population is expected to be 291,859 in 2009, a 14% increase from the 2000 population of 256,995. As the population grows, it is also expected to age over the next decade with the 50+ age group growing from 90,104 in 2000 to a projected 113,860 in 2009, an increase of 26%. With the increases in the older age groups, the College's workforce development programs will be the programs most likely to see the greatest impact. The Southern Oregon region is expected to be one of the most rapidly growing areas of the state in terms of job growth with the main industries experiencing the largest growth being professional and business services, educational and health services, and trade, transportation, and utilities.

Accreditation

The Northwest Commission on Colleges and Universities (NWCCU) first granted full accreditation to Rogue Community College in 1970. Accreditation is reviewed every ten years thereafter. Furthermore, the Oregon Department of Education has approved all professional-technical programs and college transfer courses. Professional associations have also accredited those professional-technical programs requiring approval.

The College completed a successful three-day onsite visitation by NWCCU in 2001-02. The 12-member review team praised the staff for their openness and honesty. The team stated their optimism about the future of RCC and was impressed with Rogue's exceptionally talented and dedicated staff, faculty and management. They also praised the College for taking risks inherent with expansion and for building partnerships such as the linkage with the Jackson County Library.

Cash Management

The College maintains a cash management program with the aim of maximizing interest earnings while safeguarding capital. Available cash resources are invested and collateralized in accordance with the Rogue Community College Board of Education guidelines and the applicable Oregon Revised Statutes. The College is restricted by Oregon Revised Statutes as to the types of investments in which it may invest its cash balances. Statutes authorize the College to invest in obligations of the United States Treasury, agencies, and instrumentalities; commercial paper; bankers' acceptances; repurchase agreements; and the state treasurer's investment pool. All deposits and investments of the College are adequately secured either by collateral held by an outside party or by

federal deposit insurance. The College also invests funds in the Oregon State Treasurer's Local Government Investment Pool (LGIP). College funds are pooled and invested to the fullest extent possible. Interest earnings on pooled cash and investments are allocated to the various funds based upon monthly inter-fund balances.

Risk Management

Ongoing review and recommended changes in liability insurance, workers compensation loss review and recommendation of an agent of record to facilitate handling of claims is charged to the Dean of College Services/Chief Financial Officer (CFO). The Facilities Director, in conjunction with the Safety Committee, reviews potential hazards and accidents and recommends corrections.

The Safety Committee's ongoing goal is to maintain a commitment and interest by all employees in occupational safety matters. In support of this goal, the following programs are in place: blood borne pathogens handling, training and an emergency procedure manual for every building and materials safety training.

Other Information

- Independent Audit - The provisions of Oregon Revised Statutes, Section 297.405 to 297.555 require an independent audit of the fiscal affairs of the College. The firm of Kenneth Kuhns & Co., who were selected by the Board of Directors, has completed their examination of the College's basic financial statements and accordingly, has included their report in the financial section of this CAFR.
- Single Audit – The Single Audit Act and OMB Circular A-133 require state and local governments that receive directly or indirectly certain amounts in federal assistance to have an audit conducted for that year. Included in this report are a Schedule of Expenditures of Federal awards, required reports on internal controls and compliance with laws and regulations, and a schedule of findings and questioned costs.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rogue Community College for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the third consecutive year that the College has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

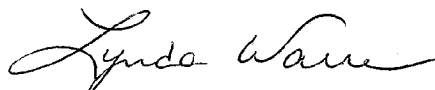
Acknowledgments

We wish to express our appreciation to the entire Budget and Financial Services Department and Information Technology department for their efforts and contributions to this Comprehensive Annual Financial Report. We further extend our thanks to the staff of Kenneth Kuhns & Co. for their extra efforts during this audit. We would also like to thank the members of the Board of Directors, faculty and staff for their continued support and dedication to the financial operations of the College.

Sincerely,



Peter Angstadt, President



Lynda Warren, Chief Financial Officer/Dean of Student and College Services

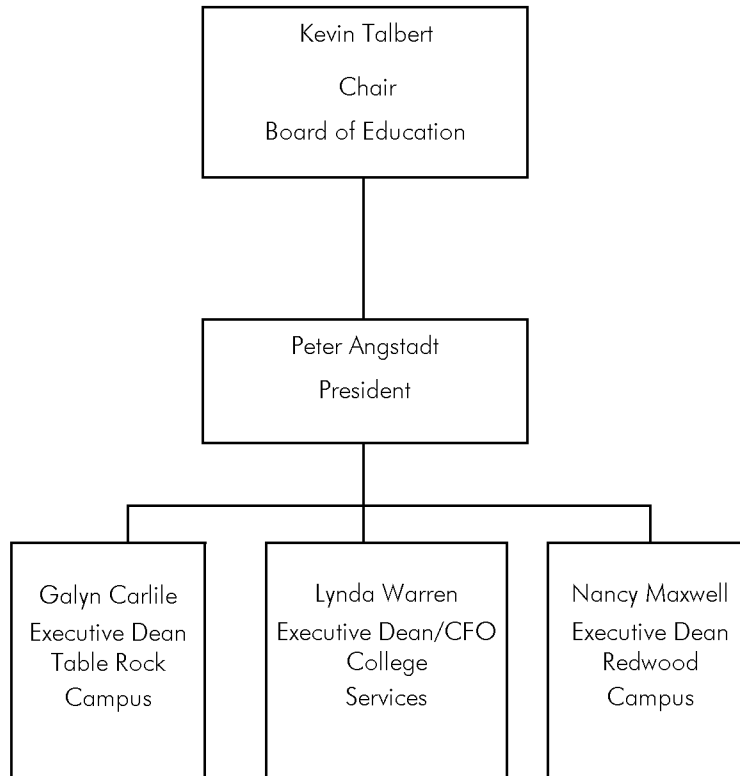
ELECTED/APPOINTED OFFICIALS

Mr. Kevin Talbert 1291 N. Valley View Road Ashland, OR 97520	Chairperson
Mr. James Dole P.O. Box 398 Grants Pass, OR 97528	Vice-chairperson
Ms. Sharon Davidson 296 Covered Bridge Road Rogue River, Oregon 97537	Member
Mr. Pat Huycke, Esq. 823 Alder Creek Drive Medford, Oregon 97504	Member
Mr. David Trump, M.D. 1277 Kubli Road Grants Pass, OR 97527	Member
Mr. Charles Warren 370 S. Obenchain Road Eagle Point, OR 97524	Member
Mr. Dean Wendle P.O. Box 1988 Grants Pass, Oregon 97528	Member

ADMINISTRATION

3345 Redwood Highway
Grants Pass, Oregon 97527

Peter Angstadt	President
Lynda Warren	Budget Officer



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Rogue Community College
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Blain".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

