

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**  
**ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2014



Blue Mountain  
Community College

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# BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

## DISTRICT OFFICIALS

June 30, 2014

<u>Board of Education</u>	<u>Address</u>	<u>Term Expires</u>
Dr. Anthony Turner Chair	84822 Didion Lane Milton-Freewater 97862	2017
Bryan Branstetter Vice-Chair	911 NW Carden Pendleton, OR 97801	2015
Werner Buehler Director	PO Box 226 Baker City, OR 97814	2015
Lea Mathieu Director	PO Box 302 Ione, OR 97843	2015
Dr. Kim B. Puzey Director	970 SE 5th Hermiston, OR 97838	2017
Ed Taber Director	PO Box 66 Pendleton, OR 97801	2017
Doug Voyles Director	606 SW 8th Pendleton, OR 97801	2015

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### Chief Executive Officer and President

Dr. Camille Preus

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### Administrative Office

2411 NW Carden Ave.  
Pendleton, OR 97801

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

January 23, 2015

Board of Education  
Blue Mountain Community College District  
Pendleton, Oregon

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Blue Mountain Community College District and Blue Mountain Community College Foundation, its discretely presented component unit, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Blue Mountain Community College District'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 Blue Mountain Community College District and Blue Mountain Community College Foundation as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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 Supplementary Information and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Blue Mountain Community College District's basic financial statements. The other supplementary information listed in the table of contents, statistical section and schedule of expenditures of federal awards required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and 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 other supplementary information and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical section 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.

## **Reports on Other Legal and Regulatory Requirements**

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2015 on our consideration of Blue Mountain Community College District'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 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 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 Blue Mountain Community College District's internal control over financial reporting and compliance.

### ***Other Reporting Required by Oregon State Regulations***

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 23, 2015 on our consideration of Blue Mountain Community College District's internal control over financial reporting and on our tests of its 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 internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.



Kenneth Kuhns & Co.



## **Management's Discussion and Analysis**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Blue Mountain Community College District's (the District) Annual Financial Report (AFR) presents an analysis of the financial activities of the District for the fiscal years ended June 30, 2014 and 2013. This discussion and analysis 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, known facts, and any resulting changes.

### ***Overview of the Financial Statements***

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

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

- The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position is an indicator of the improvement or erosion of the District's financial health when considered along with non-financial facts such as enrollment levels and the condition of the facilities.
- The *Statement of Revenues, Expenses, and Changes in Net Position* presents the revenues earned and the expenses incurred during the year. All changes in net position are reported under the accrual basis of accounting, or as soon as the underlying event giving rise to the change occurs, regardless of the timing when the cash is received or disbursed. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The utilization of long-lived assets is reflected in the financial statements as depreciation, which amortizes the cost of the capital asset over the expected useful life. Revenues and expenses are reported as either operating or nonoperating, with operating revenues primarily coming from tuition & fees, grants, and contracts. State appropriations and property taxes are classified as non-operating revenues. Because of the District's dependency on state appropriations and property tax revenue, this statement presents an operating loss, although overall net position remains positive.
- The *Statement of Cash Flows* presents information on cash flows from operating activities, noncapital financing activities, capital financing activities, and investing activities. It provides the net increase or decrease in cash and cash equivalents between the beginning and end of the fiscal year. This statement assists in evaluating financial viability and the District's ability to meet financial obligations as they become due.
- The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements and are an integral component of the financial statements.

**Blue Mountain Community College District  
For the Fiscal Year Ended June 30, 2014**

***Financial Highlights***

These are the major events of the fiscal year ended June 30, 2014, with regards to the District's financial position:

- The District increased tuition 3.53%, from \$85 to \$88 per credit beginning Summer Term 2013. This increase is higher than the cost-of-living index increase to which the Board of Education approved tying tuition increases based on administration's recommendation for 2004-05. This practice was implemented to ensure that tuition will rise with the cost of goods and services each year, attempting to spare the student the sudden leaps that often occur in tuition after a number of years of no increases. The Board of Education approved the use of a higher rate for fiscal year 2013-14 to offset a portion of the anticipated reduction in tuition and fee income due to a projected decrease in student enrollment for the fiscal year.

For fiscal year 2013-14, tuition and fee revenue decreased by approximately \$401,000 as a result of a reduction in the number of enrolled credit students even though the above tuition rate increase was implemented.

- During fiscal year 2013-14, total full-time equivalent students (FTE) decreased while unduplicated headcount increased. Total FTE decreased by 71 or 2.62% with FTE totaling 2,639 in 2013-14 and 2,710 in 2012-13. This decrease in total FTE was the result of students taking fewer courses per term which is common when the economy is doing better. Trends across the state and nationwide continue to show a slowing down or reduction of FTE growth. Total unduplicated headcount increased by 223 or 2.41% with headcounts of 9,481 in 2013-14 and 9,258 in 2012-13. The funding formula FTE decreased by 95 or 3.90% for fiscal year 2013-14. This change in funding formula FTE reflects the use of an FTE cap over the past three years and the rolling average method used in the formula computation.
- FTE reimbursement from the State of Oregon increased by 100.4% from \$2.57 million to \$5.15 million. The increase was caused primarily by the Oregon Legislature's deferral of its fiscal year 2012-13 fourth quarter reimbursement from April 2013 to July 2013. The deferrals were enacted in 2003 and are scheduled to occur on alternate years so that the State can balance its biennial budget. In accordance with accounting standards, the District recognizes this deferred payment when it is received. As a result, current year revenues in these financial statements reflect five quarters of FTE reimbursement as opposed to three quarters of FTE reimbursement reported in fiscal year ended June 30, 2013. In addition, for the 2013-15 biennium, Oregon Community Colleges received an increase in state revenues of \$54.2 million bringing the total state funding to \$450 million for the biennium. An additional \$15 million was added to year two of the biennium in September 2013. As a result, the District saw an increase in state funding for the current fiscal year which compounded the increase caused by the timing difference described above.

For fiscal year 2013-14, the increase in FTE reimbursement of \$2.58 million contains a \$1.86 million increase that is the result of timing differences in the recognition of revenue, and does not represent a change in FTE reimbursement rates, and approximately a \$720,000 net increase that is the result of increased state funding for Community Colleges and variable state funding for the Contracts Out of District and Department of Corrections contracts.

- Cash and cash equivalents increased by \$1.91 million during the current fiscal year due primarily to the timing of the state FTE reimbursement referred to above netted with a decrease in tuition and fees.
- The District's current General Obligation Bond, Series 1999 matured in June 2014. This resulted in a \$1.70 million decrease in Current Liabilities.
- Net position may serve over time as a useful indicator of the District's financial position. The District has increased its net position in the current fiscal year from \$36.7 million to \$41.1 million.

**Blue Mountain Community College District  
For the Fiscal Year Ended June 30, 2014**

- One of the District's largest components of net position, \$31.1 million, reflects the amount invested in capital assets, e.g. land, buildings, machinery and equipment, less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- Changes in the valuation of pension assets held by PERS had an impact on other non-current assets and unrestricted net position during the 2013-14 fiscal year. The valuation of the pension assets is based upon estimated and known information and assumptions at the end of each fiscal year. These estimates and assumptions may change when new actuarial information is received. Pension assets increased \$798,000 due to the investment income exceeding the annual required contribution adjustment. This resulted in an increase in unrestricted net position of \$798,000 during fiscal year 2013-14.
- The District's investment income from pension assets during fiscal year 2013-14 was \$1.49 million. This is an increase of \$387,000 from fiscal year 2012-13 due to good market performance during 2013-14. This resulted in the increase in the valuation of pension assets noted above.

**Blue Mountain Community College District  
For the Fiscal Year Ended June 30, 2014**

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

The *Statement of Net Position* (page 1) includes all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting presentation used by most private colleges. Net position is defined and calculated as the difference between assets and liabilities, and is one measure of the financial condition of the District.

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
<b>Assets</b>			
Current assets	\$ 10,899,615	\$ 8,576,208	\$ 2,323,407
Capital assets, net of depreciation	31,102,943	31,927,274	(824,331)
Other non-current assets	9,871,007	9,065,685	805,322
Total assets	<u>\$ 51,873,565</u>	<u>\$ 49,569,167</u>	<u>\$ 2,304,398</u>
<b>Liabilities</b>			
Current liabilities	\$ 1,343,719	\$ 3,106,343	\$ (1,762,624)
Long-term debt, non-current portion	9,395,000	9,720,000	(325,000)
Total liabilities	<u>10,738,719</u>	<u>12,826,343</u>	<u>(2,087,624)</u>
<b>Net Position</b>			
Net investment in capital assets	31,102,943	30,192,274	910,669
Restricted	-	128,096	(128,096)
Unrestricted	10,031,903	6,422,454	3,609,449
Total net position	<u>41,134,846</u>	<u>36,742,824</u>	<u>4,392,022</u>
Total Liabilities and Net Position	<u>\$ 51,873,565</u>	<u>\$ 49,569,167</u>	<u>\$ 2,304,398</u>

At June 30, 2014, the District's assets were approximately \$51.9 million. The District's current assets increased \$2.32 million as a result of a combined increase in cash & cash equivalents and intergovernmental receivables. The increase in cash & cash equivalents is the result of fiscal year 2012-13 fourth quarter State FTE reimbursement payment being received in the 2013-14 fiscal year netted with a decrease in tuition and fee revenue. The District's 2014 current assets of \$10.9 million were sufficient to cover current liabilities of \$1.34 million. This represents a current ratio of 8.13 compared to the current ratio in 2013 of 2.76. Receivables consist of taxes, student accounts, intergovernmental, and various operating receivables.

The District's investment in capital assets is \$31.1 million, net of accumulated depreciation. This is a decrease in net capital assets of \$824,000 from fiscal year 2012-13, indicating that new acquisitions and improvements were lower than the increase in accumulated depreciation.

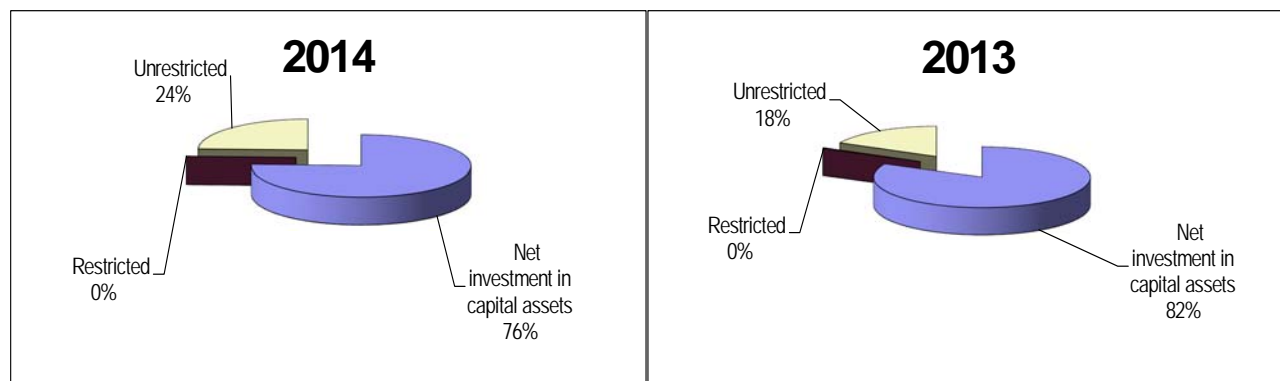
Other non-current assets represent the prepayment of the District's unfunded actuarial liability for pension benefits and payments for other postemployment benefits (OPEB) in excess of the annual required contributions.

For both years, the District's current liabilities consist primarily of payroll liabilities, compensated absences, various payables for operations, unearned revenues, and the current portion of long-term debt. The District's current liabilities decreased \$1.76 million between years as a result of the general obligation bond being paid in full as of June 30, 2014. This resulted in a decrease to the current portion of long-term debt of \$1.70 million.

Noncurrent liabilities consist of long-term debt from the issuance of limited tax pension obligation bonds in June, 2005.

**Blue Mountain Community College District  
For the Fiscal Year Ended June 30, 2014**

Within net position, the “net investment in capital assets” amount is \$31.1 million, an increase of approximately \$911,000. The District’s restricted net position at June 30, 2013 consisted of amounts set aside for debt service payments for the general obligation bond. The restricted net position at June 30, 2014 was \$0 since the GO bonds were paid in full, resulting in a decrease of approximately \$128,000. Unrestricted net position consists of amounts for the continuing operation of the District. The unrestricted net position increased by \$3.61 million in 2013-14 as a result of the 2012-13 fourth quarter State FTE reimbursement payment being received in the 2013-14 fiscal year, an increase in intergovernmental receivables, an increase in the estimated value of pension assets, and a decrease in long-term debt, offset by a decrease in tuition and fees revenue and a decrease in inventory levels. The following graph shows the allocation of net position for the District:



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

The *Statement of Revenues, Expenses, and Changes in Net Position* (page 2) presents the operating results of the District, as well as the nonoperating revenues and expenses. Annual state reimbursements and property taxes, while budgeted for operations, are considered nonoperating revenues according to accounting principles generally accepted in the United States of America (GAAP).

	<b>2014</b>	<b>2013</b>	<b>Increase (Decrease)</b>
Total operating revenues	\$ 16,893,937	\$ 17,066,855	\$ (172,918)
Total operating expenses	25,086,662	26,358,850	(1,272,188)
Operating loss	(8,192,725)	(9,291,995)	1,099,270
Nonoperating revenues, net	12,572,347	9,356,600	3,215,747
Capital Contributions	12,400	39,899	(27,499)
Total increase in net position	4,392,022	104,504	4,287,518
Net position, beginning of year	36,742,824	36,744,599	(1,775)
Prior period adjustment	-	(106,279)	106,279
<b>Net position, end of year</b>	<b>\$ 41,134,846</b>	<b>\$ 36,742,824</b>	<b>\$ 4,392,022</b>

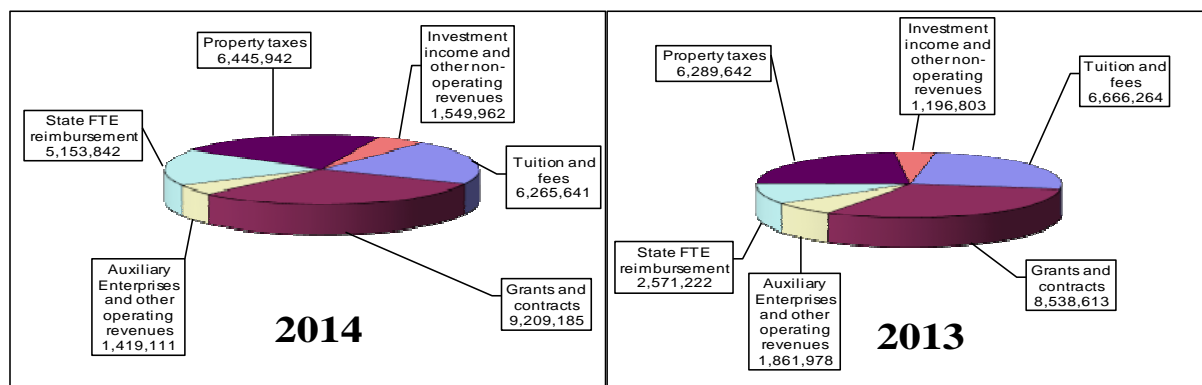
**Revenues:**

The most significant sources of operating revenue for the District are tuition and fees, student financial aid grants, grants and contracts from Federal, State, and local sources, and auxiliary enterprises. Tuition and fees include all amounts paid for educational purposes and totaled \$6.27 million, net of scholarship allowances. Tuition and fees decreased from fiscal year 2012-13 by approximately \$401,000. Tuition rates increased moderately between years with a \$3 per credit increase implemented summer term. In

**Blue Mountain Community College District  
For the Fiscal Year Ended June 30, 2014**

addition, the Credit Recovery Fee, Nursing Student Fee, and Placement Testing Fee for non-BMCC students were increased; the Distance Education Course Fee was decreased; an Admissions Fee was implemented; and the Placement Testing Fee for BMCC students was removed. Also, the GED Testing Fees were eliminated January 1, 2014 due to national changes in the GED testing process. The remainder of the fee schedule was consistent with fiscal year 2012-13. Even with these increases in tuition & fees, total Tuition & Fee Revenue decreased as a result of decreased student enrollment. Federal financial aid grants totaled approximately \$3.74 million. This is a decrease of \$608,000 from fiscal year 2012-13 as a result of a decrease in Federal Pell Grant disbursements. Revenue from federal, state, and local grants and contracts was approximately \$5.47 million. This is an increase of \$1.28 million from fiscal year 2012-13 as a result of increased funding for the Oregon Developmental Education Redesign Project, Oregon Opportunity Grants, C.A.S.E. Grant, Eastern Promise Program, Meyer Memorial Trust Grant, and other state initiated grants and contracts. Auxiliary enterprises consist of operations that furnish goods or services to students, faculty, staff or the general public and charge a fee directly related to the cost of these goods or services. They consist of the bookstore, continuing education, and student union operations and are intended to be self-supporting. Auxiliary enterprises revenue amounted to \$967,000 for the year. This is a decrease of \$290,000 from fiscal year 2012-13 as a result of decreased student enrollments.

Approximately \$6.45 million in non-operating revenues were received from property tax levies, an increase of \$156,000 from fiscal year 2012-13. Property taxes needed to support the general operations of the District increased by \$106,000 and property taxes needed to service the 1999 bond issue debt increased by \$50,000. Of the \$6.45 million in property taxes, \$1.82 million was levied to repay the 1999 bond issue. The second largest non-operating revenue source for fiscal year 2013-14 is from the State of Oregon in the form of FTE reimbursement. The District received \$5.15 million in FTE reimbursement this fiscal year. This represents an increase of \$2.58 million from the prior year as a result of receiving the fiscal year 2012-13 fourth quarter payment in the current fiscal year, compounded by the fact that the fourth quarter payment for fiscal year 2013-14 was also received in the current fiscal year. (Five quarterly payments received in 2013-14 versus three received in 2012-13.) Investment income and other non-operating revenue increased by \$353,000 in the current fiscal year. This increase is a result of a combination of increased investment income from pension assets and decreased capital contributions. The following graphs show the allocation of revenues for the District:

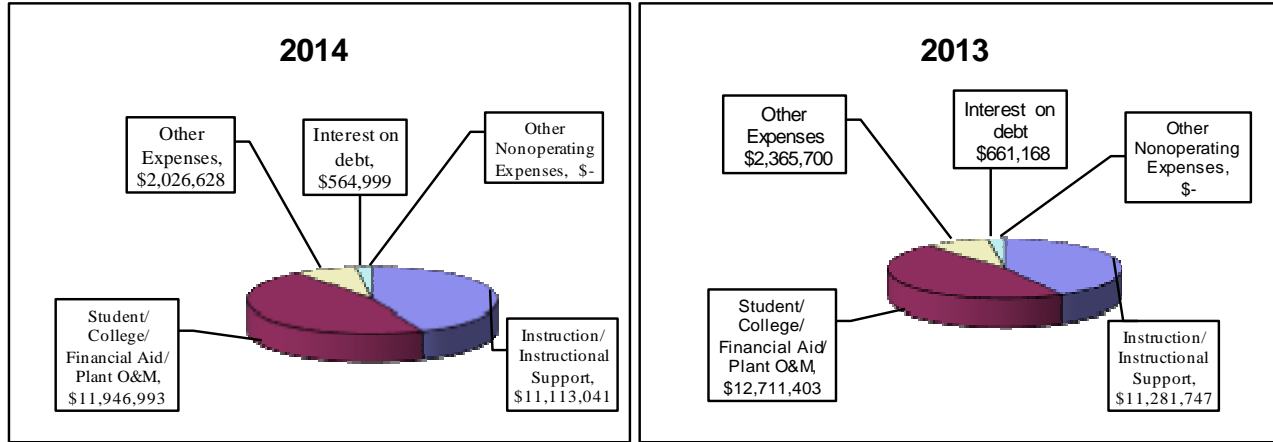


**Expenses:**

Operating expenses totaling \$25.1 million include salaries and benefits, materials and services, repairs and maintenance, utilities, student financial assistance, and depreciation. Support services, including student services and student financial aid, college support, community services, and plant operations and maintenance, represent the largest percentage of total expenses for fiscal year 2013-14 at \$11.9 million or 46.6% of total expenses. Instruction and instructional support represent \$11.1 million or 43.3% of total expenses. Other expenses, including auxiliary enterprises, depreciation, and facilities acquisition & construction, represent \$2.03 million or 7.9% of total expenses.

**Blue Mountain Community College District  
For the Fiscal Year Ended June 30, 2014**

The only non-operating expense in fiscal year 2013-14 was interest on debt related to capital asset acquisition and the prepayment of the PERS unfunded actuarial liability. Total interest expense during fiscal year 2013-14 was \$565,000, which represents 2.2% of total expenses. Interest of \$87,000 was on the general obligation bonds and \$478,000 was on the limited tax pension obligation bonds. The following graph shows the allocation of expenses for the District:



**Net Position:**

Net position increased by \$4.39 million during fiscal year 2013-14.

**Analysis of the Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2014**

The *Statement of Cash Flows* (pages 3 & 4) provides an assessment of the financial health of the District. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the District during a period. The *Statement of Cash Flows* also helps users assess the District's ability to meet obligations as they come due, and the need for external financing.

	2014	2013	Increase (Decrease)
<b>Cash Provided By (Used In):</b>			
Operating Activities	\$ (7,115,819)	\$ (7,794,777)	\$ 678,958
Noncapital Financing Activities	9,058,415	6,374,067	2,684,348
Capital Financing Activities	(73,676)	(201,940)	128,264
Investing Activities	41,953	49,582	(7,629)
Net increase (decrease) in cash	1,910,873	(1,573,068)	3,483,941
Cash – Beginning of year	6,355,610	7,928,678	(1,573,068)
<b>Cash – End of year</b>	<b>\$ 8,266,483</b>	<b>\$ 6,355,610</b>	<b>\$ 1,910,873</b>

The major sources of funds included in operating activities include student tuition and fees, federal financial aid grants, grants and contracts, and auxiliary enterprises sales. Major uses were payments made to employees, to suppliers, and for student scholarships & grants.

State FTE reimbursement and property taxes are the primary sources of non-capital financing activities. Accounting principles generally accepted in the United States of America (GAAP) require that we reflect these sources of revenue as non-operating even though the District's budget depends on these revenues to continue the current level of operations. Cash flow from State reimbursements increased by approximately 100.4% from fiscal year 2012-13, due to the deferred fourth quarter reimbursement and increase in state funding discussed under "Financial Highlights".



**Blue Mountain Community College District  
For the Fiscal Year Ended June 30, 2014**

Net cash flows from capital financing activities increased due to an increase in property taxes levied for capital debt and a decrease in outflows for acquisition of capital assets during fiscal year 2013-14.

Cash flows from investing activities include earnings on investments of \$42,000.

***Supplemental Information in the Financial Report***

The Supplemental Information section of this report is not a required component of the Annual Financial Report. It is included to provide the reader with additional information pertaining to the District's finances. This section includes Schedules of Revenues, Expenditures, and Changes in Fund Balance prepared on the Non-GAAP Budgetary Basis in addition to other financial information.

***Budgetary Highlights***

Blue Mountain Community College District adopts and appropriates an annual budget at the fund level, which is under the modified accrual basis of accounting for all funds. During fiscal year 2013-14, budget adjustments between expenditure categories were approved by the Board of Education to accommodate increased Materials & Services purchases in the Building Fund. No supplemental budget was adopted and there were no other significant changes to the budget during the fiscal year.

***Capital Assets and Long-Term Debt***

*Capital Assets*

The District's investment in capital assets as of June 30, 2014, amounts to \$31.1 million, net of accumulated depreciation. Investment in capital assets includes land, buildings, improvements, machinery and equipment, art and historical treasures, library collections, infrastructure, and construction in progress.

In November 1998, District voters in Umatilla and Morrow counties approved \$15,755,000 of general obligation bonds to fund construction, acquisition, remodeling and upgrading of educational facilities.

During the 2013 State Legislative session, the Legislature allocated approximately \$3.3 million in funding, backed by State Article XI-G Bonds, to the District for the construction of an Applied Animal Science Education Center. The District must provide a dollar for dollar match for these funds before they can be expended. The District has not obtained these matching funds as of June 30, 2014.

Additional information on the District's capital assets can be found in Note III-F of the notes to the basic financial statements (page 15).

*Long-Term Debt*

At the end of the 2013-14 fiscal year, the District had total debt outstanding of \$9,950,567. Of this amount, \$9,720,000 comprises debt backed by the full faith and credit of the District within the limitations of Sections 11 and 11(b) of Article XI of the Oregon Constitution and \$230,567 for compensated absences.

State statutes limit the amount of general obligation debt the District may issue to 1.5% of real market value of properties within the District. The current legal debt limit is \$155,883,757, which is significantly higher than the District's outstanding general obligation debt. The District's outstanding debt is about 6.24% of the legal debt limit. Additional information on the District's long-term debt can be found in Note III-G of the notes to the basic financial statements (page 16-17) and the Statistical Section (page 31-36).

The District's current General Obligation Bond, Series 1999 matured in June 2014. District administration took a new general obligation bond levy initiative to the voters in November 2013 which subsequently

**Blue Mountain Community College District  
For the Fiscal Year Ended June 30, 2014**

failed to pass. District administration is currently in the planning process of determining the feasibility of presenting a new general obligation bond levy initiative to the voters during the 2014-15 fiscal year.

***Economic Factors and Next Year's Budget***

After five years of declining state revenues resulting from the full equalization of public funding for Community Colleges and reductions in total state funding for Community Colleges, the District has received an increase in state funding for the 2013-15 biennium. This increase in state funding is being neutralized by decreasing student tuition and fees revenue resulting from declining student enrollment. As a result, it is necessary for the District to replace funds with other sources of revenue or make changes in services offered which continues to be a major challenge for the District. These issues impact the District's mission to provide dynamic and innovative programs to meet the needs of our communities in Northeastern Oregon.

For the 2013-15 biennium, Oregon Community Colleges received a total increase in state revenues of \$69.1 million bringing the total state funding to \$464.9 million for the biennium. Of this amount, \$15 million will be added to the formula only in the second year of the biennium. As a result, the District saw an increase in state funding for the 2013-14 fiscal year and will see an additional increase for the 2014-15 fiscal year.

The fourth quarter State FTE reimbursement payment for fiscal year 2014-15 will be delayed until July 2015 as described in the Financial Highlights section above. This has an impact on the District's cash flows, but is not anticipated to create any financial problems for the District.

As a result of sustained decreases in state funding over the past several years, the District has made significant increases in tuition rates in order to maintain services provided to students. With the increase in state funding for the 2013-15 biennium, tuition rate increases have moderated, but have not been totally eliminated. This is due to the fact that student enrollments have been declining over the past few years resulting in the need to increase tuition and fee rates to maintain services provided to students. During the 2013-14 fiscal year, tuition rates were increased \$3 per credit from \$85 to \$88. An additional \$2 per credit increase will be made to tuition beginning summer 2014. As tuition rates continue to increase, care needs to be taken by the District to ensure tuition does not become cost prohibitive for students.

During fiscal year 2013-14, the District experienced a modest decrease in total Full-Time Equivalent students (FTE). The District had 2,639 total FTE in 2013-14, which was down 71 FTE (2.62%) from 2012-13. The District's reimbursable FTE decreased by 50 FTE (2.13%) during the fiscal year. This decrease in FTE will actually result in an increase in funds distributed through the State funding formula because the State average showed an FTE decrease of 6.97% for the same time period. The District will continue to place emphasis on services to students that will assist in retaining current students and recruiting new students in order to minimize any further FTE decreases.

Each year, grant dollars continue to be an important part of the budget. The District has been successful in obtaining funding for new and innovative programs and activities and continues to explore multiple avenues of funding alternatives. The District expects to continue to grow our available grant dollars in a deliberate and tactical manner.

Contract negotiations with the faculty association began in April 2014 and the contract was finalized in October 2014. This contract is effective through June 2016. Contract negotiations with the classified association were finalized in July 2012. This contract is effective through June 2015.

Effective July 1, 2009, the District's employer PERS and OPSRP rates were reduced to 0.72% and 1.36% respectively. These rates were based on PERS investment balances as of December 31, 2007, prior to the significant investment losses that were experienced in 2008. As a result, the PERS and OPSRP rates experienced significant increases in July 2011 and again in July 2013. In anticipation of these increases, funds were set aside in a PERS Reserve account during the 2009-11 biennium to help smooth the impact

**Blue Mountain Community College District  
For the Fiscal Year Ended June 30, 2014**

of these rate fluctuations. During fiscal year 2013-14, a portion of these reserve funds was transferred back to the General Fund to help finance these rate increases and this transfer will continue in 2014-15. The District's PERS and OPSRP rates were projected to increase to 13.88% and 11.98% respectively beginning in July 2013. However, due to Senate Bill 822, those rates were reduced to 9.48% and 7.58% respectively. Senate Bill 822 does rely on some savings to PERS through some reform. Those changes are subject to court interpretations and could be rescinded in the future.

The District proactively manages its financial position and adopts budgetary guidelines and principles that address cost reductions and revenue enhancement. The fiscal year 2014-15 budget was designed around a multi-year forecast to project the effects of anticipated changes in revenues received and expenditures made. By using the multi-year forecast, the District has stabilized itself financially in the past few years. The District is required by the Oregon Local Budget Law to present and adopt a balanced budget each year. This will be an ongoing challenge for the District in the future if the state does not continue to fund Community Colleges at higher levels. The District adopted a balanced budget for the fiscal year beginning July 1, 2014, that includes a \$2.00 per credit hour tuition increase beginning summer term 2014. This increase is lower than the Cost-of-Living Index increase which has been used in prior years to set the tuition rate. The justification for using a lower rate is that students had endured large increases in tuition rates to offset the reductions in state funding. Now that state funding is increasing again, the Board wanted to give students a reprieve.

***Component Unit***

Using the analysis set forth in GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units," the District determined that the Blue Mountain Community College Foundation (the Foundation) should be included in the entity-wide financial statements beginning in fiscal year ended June 30, 2004. Incorporated on May 28, 1963, the Blue Mountain Community College Foundation is registered as a separate not-for-profit corporation with the State of Oregon. Their Articles of Incorporation establish that the purpose of the Foundation is to support the District. The Foundation has a 501 (C)(3) status under the provisions of Internal Revenue Code and is exempt from Federal Income Tax. Contributions to the Foundation are tax deductible as defined by the IRS regulations. Bylaws govern the internal affairs of the Foundation. A Board of Directors sets policies for the Foundation operations.

The Foundation operates within a written agreement with the District that clearly defines Foundation activities and establishes District support of the Foundation.

The Blue Mountain Community College Foundation receives, administers, and disposes of property given to benefit the District, coordinates fundraising efforts, and assists in promoting Blue Mountain Community College District to the public.

Financial information for the component unit is found in the *Statement of Net Position* and *Statement of Revenues, Expenses, and Changes in Net Position* (pages 1 & 2) in a discrete column. Summary information follows:

**Blue Mountain Community College District  
For the Fiscal Year Ended June 30, 2014**

	<b>2014</b>	<b>2013</b>
Current Assets	\$ 13,407	\$ 37,082
Non-Current Assets	3,384,367	2,940,180
<b>Total Assets</b>	<b>\$ 3,397,774</b>	<b>\$ 2,977,262</b>
Current Liabilities	\$ 78,563	\$ 65,614
Restricted Net Position	3,169,590	2,757,467
Unrestricted Net Position	149,621	154,181
<b>Total Liabilities and Net Position</b>	<b>\$ 3,397,774</b>	<b>\$ 2,977,262</b>
Operating Revenues	\$ 176,308	\$ 200,114
Operating Expenses	253,137	247,390
<b>Operating Loss</b>	<b>(76,829)</b>	<b>(47,276)</b>
Non-Operating Revenues (Expenses)	484,392	297,412
Increase in Net Position	407,563	250,136
Net Position, Beginning of Year	2,911,648	2,661,512
<b>Net Position, End of Year</b>	<b>\$ 3,319,211</b>	<b>\$ 2,911,648</b>

***Requests for Information***

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

Projects & Reporting Accountant  
Blue Mountain Community College District  
P.O. Box 100  
Pendleton, OR 97801  
(541) 278-5785  
tod.case@bluecc.edu

AVP of Finance & Business Operations  
Blue Mountain Community College District  
P.O. Box 100  
Pendleton OR 97801  
(541) 278-5780  
celeste.insko@bluecc.edu

## **Basic Financial Statements**

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET POSITION**

June 30, 2014

	Primary Government	Component Unit
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 8,261,934	\$ 336
Restricted cash and cash equivalents	4,549	-
Receivables:		
Taxes	387,645	-
Intergovernmental	1,297,903	-
Student accounts	269,616	-
Other accounts	231,787	8,011
Due from component unit	76,563	-
Prepayments	46,370	-
Inventories	323,248	-
Contracts receivable, current portion	-	5,060
Total current assets	<u>10,899,615</u>	<u>13,407</u>
<b>NONCURRENT ASSETS</b>		
Pension asset	9,807,852	-
Other postemployment benefits obligation	63,155	-
Investments	-	790,909
Beneficial interest in assets held by The Oregon Community Foundation	-	2,540,757
Contracts receivable, less current portion	-	48,205
Capital assets, non-depreciable	2,647,381	-
Capital assets, depreciable - net of accumulated depreciation	<u>28,455,562</u>	<u>4,496</u>
Total noncurrent assets	<u>40,973,950</u>	<u>3,384,367</u>
Total assets	<u>51,873,565</u>	<u>3,397,774</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	150,308	2,000
Payroll liabilities	477,919	-
Unearned revenues	132,206	-
Compensated absences	230,567	-
Due to primary government	-	76,563
Due to others	27,719	-
Current maturities of long-term debt	<u>325,000</u>	<u>-</u>
Total current liabilities	1,343,719	78,563
<b>NONCURRENT LIABILITIES</b>		
Bonds payable, net of current maturities	<u>9,395,000</u>	<u>-</u>
Total liabilities	<u>10,738,719</u>	<u>78,563</u>
<b>NET POSITION</b>		
Net investment in capital assets	31,102,943	-
Restricted:		
Temporary endowment and scholarships	-	2,111,770
Permanent endowment	-	1,057,820
Unrestricted	<u>10,031,903</u>	<u>149,621</u>
Total net position	<u>\$ 41,134,846</u>	<u>\$ 3,319,211</u>

The accompanying notes are an integral part of this statement.

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Fiscal Year Ended June 30, 2014**

	<u>Primary Government</u>	<u>Component Unit</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees, net of scholarship allowances of \$389,256	\$ 6,265,641	\$ -
Federal student financial aid grants	3,737,212	-
Federal, state and local grants and contracts	5,471,973	-
Auxiliary enterprises	967,098	-
Foundation contributions	-	172,102
Other operating revenues	452,013	4,206
	<hr/>	<hr/>
Total operating revenues	16,893,937	176,308
<b>OPERATING EXPENSES</b>		
Educational and general:		
Instruction	7,686,068	-
Instructional support	3,426,973	-
Other support services:		
Student services	2,970,128	-
Community services	13,888	-
College support services	3,103,021	-
Plant operations and maintenance	1,697,882	-
Student financial aid	4,162,074	-
Facilities acquisition and construction	106,535	-
Auxiliary enterprises	1,041,192	-
Foundation programs	-	252,259
Depreciation	878,901	878
	<hr/>	<hr/>
Total operating expenses	25,086,662	253,137
	<hr/>	<hr/>
Operating loss	(8,192,725)	(76,829)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State community college support	5,153,842	-
Property taxes	6,445,942	-
Investment income	41,953	484,392
Investment income from pension asset	1,494,274	-
Gain on sale of capital assets	1,335	-
Interest expense	(564,999)	-
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	12,572,347	484,392
	<hr/>	<hr/>
Income before contributions	4,379,622	407,563
	<hr/>	<hr/>
<b>CAPITAL CONTRIBUTIONS</b>	12,400	-
	<hr/>	<hr/>
Change in net position	4,392,022	407,563
	<hr/>	<hr/>
<b>NET POSITION, beginning of year</b>	36,742,824	2,911,648
	<hr/>	<hr/>
<b>NET POSITION, end of year</b>	\$ 41,134,846	\$ 3,319,211
	<hr/>	<hr/>

The accompanying notes are an integral part of this statement.

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2014**

	<u>Primary Government</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from tuition and fees	\$ 6,197,009
Receipts from federal student financial aid grants	3,839,234
Receipts from federal, state and local grants and contracts	4,980,546
Receipts from auxiliary enterprises sales	956,108
Other cash receipts	390,278
Payments to employees for services	(15,369,946)
Payments to suppliers for goods and services	(3,670,095)
Payments for student scholarships and grants	<u>(4,438,953)</u>
Net cash used in operating activities	<u>(7,115,819)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash received from State community college support	5,153,842
Cash received from property taxes	4,667,228
Principal paid on pension bonds	(285,000)
Interest paid on pension bonds	<u>(477,655)</u>
Net cash provided by noncapital financing activities	<u>9,058,415</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital grants received	12,400
Cash received from property taxes levied for capital debt	1,844,662
Proceeds from sale of capital assets	10,200
Acquisition of capital assets	(114,851)
Principal paid on general obligation bonds	(1,735,000)
Interest paid on general obligation bonds	<u>(91,087)</u>
Net cash used in capital and related financing activities	<u>(73,676)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>41,953</u>
Net increase in cash and cash equivalents	1,910,873
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>6,355,610</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 8,266,483</u></u>

The accompanying notes are an integral part of this statement.



**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Primary Government</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	<u>\$ (8,192,725)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	878,901
Amortization	696,467
Decrease-(increase) in:	
Receivables	(504,141)
Prepayments	(41,125)
Inventories	66,784
Other postemployment benefits obligation	(7,515)
Increase-(decrease) in:	
Accounts payable	(17,767)
Payroll liabilities	41,116
Unearned revenues	(26,621)
Compensated absences	(13,769)
Due to others	4,576
	<u>1,076,906</u>
Total adjustments	<u>1,076,906</u>
Net cash used in operating activities	<u><u>\$ (7,115,819)</u></u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
Investment income from pension asset	\$ 1,494,274
Pension asset	(1,494,274)
Book value of capital assets disposed	8,865
Gain on disposal of capital assets	<u>(8,865)</u>
Total noncash investing, capital and financing activities	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

# BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2014

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Financial Reporting Entity

##### 1. Financial Reporting Entity

The Blue Mountain Community College District (the District), a municipal corporation, is a post-secondary institution that was established on June 10, 1962 to provide educational courses and programs to citizens of Eastern Oregon. The District currently serves all of Umatilla, Morrow, Baker, Union, Wallowa, and Grant Counties. The services are funded through tax levies in Umatilla, Morrow and Baker Counties, and the use of “Out of District” contracts for the needs of Union, Wallowa and Grant Counties.

##### 2. Discretely Presented Component Unit

Blue Mountain Community College Foundation (the Foundation) is an Oregon not-for-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was established in 1963 and was originally named the Blue Mountain Community College Scholarship and Development Association. On May 22, 1996, the name was changed to Blue Mountain Community College Foundation. The Foundation supports the objectives of Blue Mountain Community College and its mission is to raise private funds for student financial aid, faculty development, special projects, facilities, and equipment needs that will lead to enhanced learning and benefit of the community. Separate financial statements for Blue Mountain Community College Foundation may be obtained through request of the Foundation Executive Director located on the Blue Mountain Community College District Pendleton campus.

#### B. Basis of Presentation

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities*, as amended by Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The District follows the “business-type activities” reporting requirements of GASB Statement No. 35 that provides a one-column look at the District’s financial activities. As a general rule, the effect of internal transactions between the District’s functions has been eliminated.

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

**C. Basis of Accounting**

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

**D. Use of Estimates**

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

**E. Cash, Cash Equivalents, and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Foundation's cash and cash equivalents are in a separate account.

Oregon Revised Statutes authorize local municipal governments to invest in obligations of the U.S. Treasury, agencies and instrumentalities of the United States, commercial paper, banker's acceptances guaranteed by a qualified financial institution, repurchase agreements, interest bearing bonds of any city, county, port, or school district in Oregon (subject to specific standards), and the state local government investment pool, among others.

The District maintains merged bank accounts and investments for its funds in a central pool of cash and investments. The investment policy of the District is to invest in the Local Government Investment Pool (LGIP) and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments authorized for municipal corporations. The District allocates earnings on investments to selected funds based on the average monthly balances throughout the year.

Investments in the LGIP are stated at amortized cost, which approximates fair value.

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

**F. Receivables**

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

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

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.

**G. Inventories and Prepaid items**

Inventories are determined by physical count and are stated at the lower of cost (first in, first out) or market. Expenses are recognized when inventories are consumed. Other inventories are taken for control purposes only with no dollar value assigned.

Certain payments to vendors reflect costs applicable to future accounting periods and are reflected as prepayments.

**H. Capital Assets**

Capital assets include land and land improvements; buildings and building improvements; equipment and machinery; infrastructure (utility systems, parking lots and streets); library collections; leasehold improvements; and construction in progress. The District's capitalization threshold for equipment is \$5,000, and \$25,000 for assets to include land, buildings, infrastructure and improvements and having useful lives in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. There was no interest capitalized during the year.

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

- Buildings and building improvements 60 years
- Equipment and machinery 5 to 20 years
- Infrastructure 40 to 60 years
- Library collections 10 years
- Leasehold improvements 5 years

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

**I. Compensated Absences**

Vacation payable and comp time payable are recorded as a liability and an expense when earned by employees. Sick pay, which does not vest, is recorded when leave is taken.

**J. Long-Term Obligations**

Long-term obligations are recorded as liabilities in the basic financial statements as incurred. Bond premiums and discounts are amortized over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

**K. Operating Revenues and Expenses**

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services to students. Principal operating revenues include tuition and fees, grants and contracts for specific operating activities, charges for services and sale of educational material. Operating expenses include the cost of instruction, administration, student services, bookstore operations and depreciation of capital assets. All other revenues, including state educational support, and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**L. Scholarship Allowances**

Financial aid to students is reported in the basic financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans and funds provided to students as awarded by third parties are accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the basic financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a District basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

**M. Property taxes**

Ad valorem property taxes are levied on all taxable property as of July 1. Property taxes become an enforceable lien on that date for real property and for personal property. Collection dates are November 15, February 15, and May 15. Discounts are allowed if amounts due are received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected taxes, including delinquent amounts, are considered substantially collectable or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes are recognized as revenues when levied.

## **BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2014**

#### **N. Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Loans, Perkins Loans and other Federal programs. Federal programs are audited in accordance with the Single Audit Act and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

#### **O. Net Position**

Restricted net position reported in the Statement of Net Position represent amounts for which constraints were imposed by creditors, grantors, contributors or laws or regulations. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. Budgetary Information**

Annual budgets are adopted by fund using the modified accrual basis of accounting. The Special Revenue Fund also included transfers to/from the Agency Fund.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget.

The District begins its budgeting process by appointing budget committee members in early fall of each year. Recommendations are developed through early spring and the Budget Committee usually approves the budget in late spring. Public notice of the budget hearing is generally published in late May, and the public hearing is held in early June. The budget is adopted, appropriations are made and the tax rate is declared no later than June 30. Expenditure appropriations may not be legally overexpended, except in the case of specific purpose grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

## BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2014

The resolution authorizing appropriations for each fund sets the legal limit for which expenditures cannot legally exceed. The level of budgetary control is established at the total personnel services, materials and services, capital outlay, debt service, transfers, and contingency. Unexpected additional resources may be added to the budget and appropriated for expenditure through the use of a supplemental budget. The supplemental budget process requires a hearing before the public, publication in the newspaper, and approval by the District's Board of Education. Oregon Local Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Management must obtain Board authorization for all appropriation transfers and supplementary budgetary appropriations. During the year ended June 30, 2014, appropriation reclassification or transfers were approved. Appropriations are limited to a single fiscal year; therefore, all spending authority of the District lapses as of fiscal year-end.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

**Deposits** - The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the District at June 30, 2014. If bank deposits at year end are not entirely insured or collateralized with securities held by the district or by its agent in the District's name, the District must disclose the custodial credit risk that exists. The District's deposits with financial institutions are comprised entirely of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require that Public officials report to the Office of the State Treasurer (OST) all bank depositories in which they deposit public funds and bank depositories will then report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged by the bank based on this information and the depository's FDIC assigned capitalization category. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third-party custodian bank securities having a value of 10%, 25% or 110% of public funds on deposit depending primarily on the capitalization level of the depository bank. Bank depositories will then have a shared liability in the event of a bank loss. For the fiscal year ended June 30, 2014, the carrying amount of the District's deposits was \$482,039 and the bank balance was \$694,234. All deposits are held in the name of the District. Of the bank balance, \$260,331 was covered by federal depository insurance. The remaining \$433,903 was collateralized under ORS 295. This balance was exposed to custodial credit risk as of June 30, 2014, because deposits in excess of FDIC insurance were uncollateralized and/or were collateralized but not held by the third-party custodian bank in the District's name.

Custodial credit risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned to it. The District follows State law with respect to custodial credit risk and has not adopted a separate policy.

## BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2014

**Restricted Cash and Cash Equivalents in Escrow** - The District is responsible for Limited Tax Pension Obligations issued for financing of payment of the District's Oregon Public Employees Retirement System (PERS) unfunded liability. The State of Oregon withholds a portion of the District's Community College Funding payment and transfers this portion to a trustee escrow account administered by the State of Oregon for the purpose of repayment of scheduled bond principal and interest, as required since the bonds were issued by the Oregon Community College Districts. The amount held in the escrow account for payment of future scheduled payments at June 30, 2014 was \$35. These cash and cash equivalents consisted of investments in U.S. Government Securities and have original maturity dates of three months or less.

The District also has restricted cash and cash equivalents for expenses related to the District's discontinued Perkins Loan Program of \$4,514.

**Investments** - The District has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry as defined by GASB Statement No. 40.

In addition, The Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the District's cash position.

**Credit Risk** - State statutes authorize the District to invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The District has no formal investment policy that further restricts its investment choices.

**Concentration of Credit Risk** - The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The District has no such investments.

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund manages this risk by limiting the maturity of the investments held by the fund. Weighted average maturities of investments in the Oregon Short-Term Fund at June 30, 2014 were: 61% mature within 93 days, 13% mature from 94 days to one year, and 26% mature from one to three years.



**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

A reconciliation of cash and cash equivalents shown on the Statement of Net Position is as follows:

Cash on hand and other	\$ 17,843
Deposits with financial institutions	482,039
Cash and cash equivalents, in escrow	35
Local Government Investment Pool	<u>7,766,566</u>
 Total cash and cash equivalents	 <u><u>\$8,266,483</u></u>

**Foundation Investments and Beneficial Interest in Assets Held by The Oregon Community Foundation** - The Foundation's investments of \$790,909 at June 30, 2014 consist primarily of investments held in various mutual funds. The Foundation also has a \$2,540,757 beneficial interest in assets held by The Oregon Community Foundation (OCF).

The Foundation's assets have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest ranking to fair values determined using quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

At June 30, 2014, The Foundation's investments in mutual funds are reported at fair value as Level 1 investments. At June 30, 2014, the Foundation's beneficial interest in assets held by The Oregon Community Foundation are reported at fair value (Level 3) using information received from OCF.

Net investment gains (losses) during 2013-14 included gains of \$81,691 reported in unrestricted net position and gains of \$402,701 reported in temporarily restricted net position. Investment return consisted of realized earnings of \$30,958 and a \$453,434 increase in fair value.

**B. Receivables**

Receivables as of year-end are as follows:

	<u>Taxes</u>	<u>Other Accounts</u>	<u>Student Accounts</u>	<u>Inter- governmental</u>	<u>Total</u>
Total receivables	\$ 387,645	\$ 250,829	\$ 1,089,772	\$ 1,297,903	\$ 3,026,149
Less allowance for uncollectibles	<u>-</u>	<u>(19,042)</u>	<u>(820,156)</u>	<u>-</u>	<u>(839,198)</u>
Net total receivables	<u><u>\$ 387,645</u></u>	<u><u>\$ 231,787</u></u>	<u><u>\$ 269,616</u></u>	<u><u>\$ 1,297,903</u></u>	<u><u>\$ 2,186,951</u></u>

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

**C. Pension Asset**

Limited tax pension bonds of \$10,875,000 were issued June 28, 2005 to provide funds for the payment of the estimated unfunded PERS pension liability at July 1, 2005. The Blue Mountain Community College District participated along with several other Oregon Community College Districts in issuing the limited tax pension bonds. The bonds issued on behalf of the Blue Mountain Community College District equal 18.8% of the total bonds issued. Except for the payment of its pension bond payments and additional charges when due, each participating district has no obligation or liability to any other participating district's pension bonds or liabilities to PERS.

The pension asset is the result of the transfer of the District's pension bond proceeds to PERS to cover a portion of the District's share of the cost sharing plan's unfunded actuarial liability. This pension asset is separately reported by PERS and is being used to pay a portion of the District's annual required contribution. PERS investments are invested with the State Treasurer under the direction of the Oregon Investment Council.

The following information is based upon estimated and known information and assumptions at the end of each fiscal year. However, this estimate may be subject to change in the near future when the Oregon Public Employees Retirement System issues annual actuarial reports which may contain new information and assumptions. The information following considers the data and assumptions included in the report for the 2013 calendar year.

Pension assets are as follows:

Pension asset, beginning	\$9,010,045
Investment income from pension asset	1,494,274
Contributions to cost sharing plan	<u>(696,467)</u>
Pension asset, ending	<u>\$9,807,852</u>

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

**D. Foundation Receivables**

The Foundation sold a donated 72 unit storage facility on April 25, 2007 and is carrying the contract through an escrow account. The contract receivable represents the uncollected principal portion and is secured by a Deed of Trust. The contract is receivable in monthly payments of \$719, including interest at 7.0% per annum. The last payment is due April 25, 2022. Future expected principal collections of the remaining contract are as follows:

<u>Year ending June 30,</u>	
2015	\$ 5,060
2016	5,426
2017	5,818
2018	6,239
2019	6,690
2020-2022	<u>24,032</u>
Total	<u>\$ 53,265</u>

**E. Unearned Revenues**

Unearned revenues in the basic financial statements are reported for revenues that have been received, but not yet earned.

The various components of unearned revenues was as follows:

Tuition and fees	\$ 112,206
Other	<u>20,000</u>
Total	<u>\$ 132,206</u>

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

**F. Capital Assets**

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

	<u>Balance 7/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2014</u>
Capital assets not being depreciated:				
Land	\$ 1,045,819	\$ -	\$ -	\$ 1,045,819
Land improvements	1,502,362	-	-	1,502,362
Art and historical treasures	<u>99,200</u>	<u>-</u>	<u>-</u>	<u>99,200</u>
Total capital assets not being depreciated	<u>2,647,381</u>	<u>-</u>	<u>-</u>	<u>2,647,381</u>
Capital assets being depreciated:				
Buildings and improvements	35,717,937	30,169	-	35,748,106
Equipment and machinery	4,251,332	29,900	45,334	4,235,898
Library collections	564,229	3,366	-	567,595
Infrastructure	<u>1,120,935</u>	<u>-</u>	<u>-</u>	<u>1,120,935</u>
Total capital assets being depreciated	<u>41,654,433</u>	<u>63,435</u>	<u>45,334</u>	<u>41,672,534</u>
Less accumulated depreciation for:				
Buildings and improvements	8,528,776	595,800	-	9,124,576
Equipment and machinery	3,157,301	244,460	36,469	3,365,292
Library collections	478,788	19,556	-	498,344
Infrastructure	<u>209,675</u>	<u>19,085</u>	<u>-</u>	<u>228,760</u>
Total accumulated depreciation	<u>12,374,540</u>	<u>878,901</u>	<u>36,469</u>	<u>13,216,972</u>
Total capital assets being depreciated, net	<u>29,279,893</u>	<u>(815,466)</u>	<u>8,865</u>	<u>28,455,562</u>
Total capital assets, net	<u><u>\$ 31,927,274</u></u>	<u><u>\$ (815,466)</u></u>	<u><u>\$ 8,865</u></u>	<u><u>\$ 31,102,943</u></u>

Changes in the Foundation capital assets are as follows:

	<u>Balance 7/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2014</u>
Capital assets being depreciated:				
Equipment and machinery	\$ 8,776	\$ -	\$ -	\$ 8,776
Accumulated depreciation	<u>(3,402)</u>	<u>(878)</u>	<u>-</u>	<u>(4,280)</u>
Total capital assets, net	<u><u>\$ 5,374</u></u>	<u><u>\$ (878)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,496</u></u>

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

**G. Long-Term Debt**

**1. General Obligation Bonds**

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds generally are issued as 20-year serial bonds, except for refunding issues and term bond provisions in the facility bonds.

Blue Mountain Community College District, Umatilla and Morrow Counties issued General Obligation (G.O.) Bonds, Series 1999 dated March 1, 1999, in the aggregate amount of \$15,755,000 for the constructing, acquiring, remodeling and upgrading of educational facilities. The District paid \$1,735,000 in principal and \$91,087 in interest during 2013-14 and the bonds are fully repaid.

**2. Limited Tax Pension Bonds**

The District issued Limited Tax Pension Bonds during the fiscal year 2004-05, with interest rates ranging from 4.643% to 4.831%. This bond issuance is secured by the full faith and credit of the District, with final payments due June 30, 2028. These bonds were issued to finance the payment of the District's Oregon Public Employees Retirement System (PERS) unfunded liability.

The District's future maturities for the limited tax pension bonds issue are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 325,000	\$ 464,422
2016	375,000	449,332
2017	425,000	431,921
2018	480,000	412,188
2019	535,000	389,902
2020-2024	3,710,000	1,507,111
2025-2028	<u>3,870,000</u>	<u>443,728</u>
Total	<u>\$ 9,720,000</u>	<u>\$ 4,098,604</u>

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

**3. Changes in Long-Term Debt**

Activity for the year ending June 30, 2014 is as follows:

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2014</u>	<u>Due Within One Year</u>
Compensated absences	\$ 244,336	\$ 303,350	\$ 317,119	\$ 230,567	\$ 230,567
General Obligation Bonds	1,735,000	-	1,735,000	-	-
Limited Tax Pension Bonds	<u>10,005,000</u>	<u>-</u>	<u>285,000</u>	<u>9,720,000</u>	<u>325,000</u>
Total	<u>\$ 11,984,336</u>	<u>\$ 303,350</u>	<u>\$ 2,337,119</u>	<u>\$ 9,950,567</u>	<u>\$ 555,567</u>

**IV. Other Information**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for the past three years.

**B. Defined Benefit Pension Plan**

**Public Employees Retirement System**

**1. Plan description**

The District contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost sharing multiple-employer, Defined Benefit Pension Plan, administered by the State of Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees.

During the 2003 legislative session, the Oregon Legislative Assembly created successor plans for PERS. The Oregon Public Service Retirement Plan ("ORSRP") is effective for all new employees hired on or after August 29, 2003. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. 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 and a factor that varies based on the type of service (general versus police or fire). Beginning January 1, 2004 all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS account, but any future member contributions are deposited into the member's IAP, not into the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both PERS and OPSRP systems as long as they remain in covered employment.

## **BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2014**

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at [www.oregon.gov/pers](http://www.oregon.gov/pers).

#### **2. Funding policy**

Plan members are required to contribute 6% of their annual covered salary. Current law permits employers to pay employee contributions to the Retirement Fund. The District is required by ORS 238.225 to contribute at an actuarially determined rate; the current rate is 16.63% of covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (OPSRP). The rate for OPSRP is set at 14.73% of covered payroll. After the offset of the credit for the District's PERS UAL prepayment, the District pays a net rate of 9.48% of covered payroll for Tier I and Tier II employees and 7.58% for OPSRP employees. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by the PERS Board of Trustees. The District's contributions to PERS for the years ending June 30, 2014, 2013, and 2012 were \$833,712, \$764,385, and \$759,997, respectively, equal to the required contribution. In addition, the District's contributions to PERS from the pension asset for the years ending June 30, 2014, 2013, and 2012 were \$696,467, \$772,537, and \$766,311, respectively.

#### **C. Other Postemployment Benefits (OPEB)**

The OPEB plan is comprised of several arrangements between the District and separate groups of employees which provide subsidized health benefits to certain active and retired employees, to include:

For faculty retiring after July 1, 2000 and prior to September 7, 2011, the District pays up to 92% (not to exceed \$450) of the monthly actual health care insurance premiums for coverage for retiree and spouse until the later of either retiree or spouse becomes eligible for Medicare. Benefits are available for a maximum of 120 months.

For faculty retiring on or after September 7, 2011 and hired prior to July 1, 2012, the District pays up to \$500 of the monthly actual health care premiums for coverage of retiree and spouse until the retiree becomes eligible for Medicare. Benefits are available for a maximum of 120 months.

The District pays healthcare insurance premiums for all eligible retirees at the appropriate rate for each family classification each month, in advance, and deposits employee reimbursement collections into the General Fund, as collected. The District had 11 retired and 44 active employees in its plan on June 30, 2014. The annual required contribution (ARC) to the plan includes the employer's pay-as-you-go amount.

GASB Statement No. 45 is applicable to the District for this explicit benefit. This plan is not a stand-alone plan and therefore does not issue its own financial statements. The District is also required by Oregon Revised Statute 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. The statutory requirement under ORS 243.303 can result in an "implicit subsidy" (the difference between expected early retiree claim costs and the premium paid

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

for the retiree) requiring additional cost and liability recognition under GASB No. 45. The District participates in the Oregon Educators Benefit Board (OEBB), a statewide agent multiple-employer plan, as defined in GASB No. 45. In OEBB, the individual employer health plans are rated collectively, rather than individually by employer, and the same blended premium rate is charged to all active employees and non-Medicare-eligible retirees. In situations like OEBB, GASB No. 45 allows smaller employers to use the blended premium rate for actuarial projections as opposed to using age-adjusted premiums for the projections. The blended premiums are used for the GASB No. 45 actuarial projections and the District does not have an implicit employer OPEB subsidy.

**Annual OPEB Costs and Net OPEB Obligation** - The District's annual other postemployment benefit cost is calculated based upon the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of not more than 30 years.

The District's ARC is made up of normal costs of \$6,928 and amortization of the UAAL of \$36,080. The Actuarial Accrued Liability is the present value of benefits that are attributed to past service only. The portion attributed to future service is excluded. For retirees, this is equal to the present value of benefits. For active employees, this is equal to the present value of benefits prorated by service to date over service at the expected retirement age. The normal cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. Normal costs are increased from the valuation date to the fiscal year end dates using a combination of the discount rate and health cost trend assumptions.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's obligation to the plan.

Annual Required Contribution	\$ 43,008
Interest on net OPEB obligation	(1,669)
Adjustment to annual required contribution	<u>6,333</u>
Annual OPEB cost (expense)	47,672
Contributions made (Explicit benefit payments)	<u>55,187</u>
Decrease in net OPEB obligation	(7,515)
Net OPEB obligation (asset) - beginning of year	<u>(55,640)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (63,155)</u></u>



**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

**Funding Policy** - The District has elected not to prefund the actuarially determined future cost into a separate trust. The District funds the benefits on a pay-as-you-go basis. Since the total annual contribution in the current year was greater than the Annual Required Contribution, an asset is presented on the District's Statement of Net Position. The District's annual OPEB cost, the percentage of annual cost contributed to the plan, and the net OPEB obligation for the three most recent fiscal years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributions</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2014	\$ 47,672	116%	\$ (63,155)
6/30/2013	\$ 58,851	103%	\$ (55,640)
6/30/2012	\$ 58,730	102%	\$ (53,840)

**Funded Status and Funding Progress** - As of June 30, 2014, the most recent valuation date, the plan was considered unfunded. The actuarial accrued liability for benefits was \$317,005 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$317,005. The covered payroll (annual payroll of active employees covered by the plan) was \$3,127,700 and the ratio of UAAL to the covered payroll was 10.14%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress shown below presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

Assumptions used in calculating the actuarial liabilities associated with the District's health plan include a 3.0% investment return and discount rate; an assumed general inflation rate of 2.5%; annual salary increases of 3.5% per year; an increase in health costs of 8.0% in the first year beginning in 2015, then 0.5% less each subsequent year until they are increasing at 5.0% per year; and retirement rates used by Oregon PERS for its December 31, 2012 actuarial valuation. Retirement age for active employees was based on the PERS retirement rates. The marital status of members at the calculation date was assumed to continue through retirement. Non-group-specific age-based turnover data from GASB 45 were used as the basis for assigning the probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid. The Entry Age Normal Cost Method is used to determine the Actuarial Accrued Liability and the Normal Cost. Amortization of the UAAL is amortized over a period of ten years.

The District's Plan is deemed to be "unfunded" in accordance with the relevant GASB statements. The table below presents a schedule of funding progress for the most recent actuarial valuations for the District's postemployment health plans.

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded (Overfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a percentage of Covered Payroll (b-a/c)</u>
6/30/2014	\$ -	\$ 317,005	\$ 317,005	0%	\$ 3,127,700	10.14%
6/30/2011	\$ -	\$ 379,997	\$ 379,997	0%	\$ 3,781,089	10.05%
6/30/2009	\$ -	\$ 510,954	\$ 510,954	0%	\$ 3,601,659	14.20%

The District's Plan has less than 200 participants and requires triennial valuations.

**D. Operating Lease Obligations**

The District obtained an operating lease with Dell Computers to use 500 computers for a term of 48 months. The lease requires payments of \$72,529 per year for four years, with an optional extension of 6 months. The computers may be purchased at fair market value at the end of the lease term.

The District obtained an operating lease with Ikon Office Solutions to use 24 copy machines for a term of 60 months. The lease requires payments of \$3,984 per month for 60 months and the copiers may be purchased at fair market value at the end of the lease term.

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

The future minimum lease payments are as follows:

Year ending <u>June 30</u>	
2015	\$ 120,337
2016	<u>47,808</u>
Total	<u>\$ 168,145</u>

**E. Commitments and Contingencies**

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

## **Other Supplementary Information**

### **Description of Budgeted College Funds**

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Other supplementary information consists of schedules required by the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual are presented on a Non GAAP budgetary basis for each College fund required to be budgeted in accordance with the Oregon Local Budget Law.

Budgeted College funds are as follows:

General Fund – The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The primary sources of revenue are property taxes, State community college support, tuition and fees.

Special Revenue Fund - The Special Revenue Fund is used to account for resources and activities that are required legally or by sound financial management to be accounted for in separate funds.

Capital Projects Fund - The Capital Projects Fund accounts for major capital outlay expenditures relating to the acquisition, construction and remodeling of capital facilities. Principal financing sources are the sale of General Obligation Bonds, intergovernmental revenue, and transfers from other funds.

Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources for, and the repayment of long-term debt principal and interest. The principal resources are property tax levies, earnings from investments and transfers from other funds.

Enterprise Fund - The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, including the operations of the District's Bookstore, Contracted Training, Continuing Education, and Student Union, where the intent of the District's Board of Education is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the District's Board of Education has decided that periodic determination of net income is appropriate for accountability purposes.

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost reimbursement basis, and include the District's transportation vehicles and copy center operations.

Agency Fund – The Agency Fund is used to account for assets held by the District in trust or as an agent for individuals, private organizations, other governmental units, and/or other funds (e.g. student clubs and service organizations). Expenditure of funds are determined by the organization for which the funds are held. Contributions and club receipts are the primary revenue sources.

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 4,581,450	\$ 4,581,450	\$ 4,648,382	\$ 66,932
Tuition and fees	6,499,800	6,499,800	6,036,416	(463,384)
State sources	3,565,560	3,565,560	4,085,014	519,454
Private sources	50,000	50,000	50,000	-
Other sources	456,440	456,440	479,688	23,248
Total revenues	<u>15,153,250</u>	<u>15,153,250</u>	<u>15,299,500</u>	<u>146,250</u>
<b>EXPENDITURES</b>				
Personnel services	11,807,367	11,807,367	11,415,773	391,594
Materials and services	3,548,871	3,548,871	3,109,542	439,329
Capital outlay	112,000	112,000	4,070	107,930
Total expenditures	<u>15,468,238</u>	<u>15,468,238</u>	<u>14,529,385</u>	<u>938,853</u>
Revenues over (under) expenditures	<u>(314,988)</u>	<u>(314,988)</u>	<u>770,115</u>	<u>1,085,103</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	450,800	450,800	124,566	(326,234)
Transfers out	(272,517)	(272,517)	(258,610)	13,907
Total other financing sources (uses)	<u>178,283</u>	<u>178,283</u>	<u>(134,044)</u>	<u>(312,327)</u>
Net change in fund balance	(136,705)	(136,705)	636,071	772,776
<b>FUND BALANCE, beginning</b>	<u>1,689,100</u>	<u>1,689,100</u>	<u>2,028,292</u>	<u>339,192</u>
<b>FUND BALANCE, ending</b>	<u>\$ 1,552,395</u>	<u>\$ 1,552,395</u>	<u>\$ 2,664,363</u>	<u>\$ 1,111,968</u>

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 79,997	\$ 79,997	\$ 79,858	\$ (139)
Tuition and fees	734,800	734,800	618,481	(116,319)
State sources	4,357,868	4,357,868	4,599,470	241,602
Federal sources	15,329,790	15,329,790	7,895,225	(7,434,565)
Private sources	514,864	514,864	236,263	(278,601)
Other sources	345,200	345,200	356,094	10,894
Total revenues	<u>21,362,519</u>	<u>21,362,519</u>	<u>13,785,391</u>	<u>(7,577,128)</u>
<b>EXPENDITURES</b>				
Personnel services	3,900,914	3,900,914	3,677,166	223,748
Materials and services	16,997,115	16,997,115	9,052,214	7,944,901
Capital outlay	1,272,714	1,272,714	22,400	1,250,314
Total expenditures	<u>22,170,743</u>	<u>22,170,743</u>	<u>12,751,780</u>	<u>9,418,963</u>
Revenues over (under) expenditures	<u>(808,224)</u>	<u>(808,224)</u>	<u>1,033,611</u>	<u>1,841,835</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	172,517	172,517	158,610	(13,907)
Transfers out	(434,800)	(434,800)	(152,457)	282,343
Total other financing sources (uses)	<u>(262,283)</u>	<u>(262,283)</u>	<u>6,153</u>	<u>268,436</u>
Net change in fund balance	(1,070,507)	(1,070,507)	1,039,764	2,110,271
<b>FUND BALANCE, beginning</b>	<u>4,272,538</u>	<u>4,272,538</u>	<u>4,530,503</u>	<u>257,965</u>
<b>FUND BALANCE, ending</b>	<u><u>\$ 3,202,031</u></u>	<u><u>\$ 3,202,031</u></u>	<u><u>\$ 5,570,267</u></u>	<u><u>\$ 2,368,236</u></u>

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State sources	\$ 465,037	\$ 465,037	\$ -	\$ (465,037)
Other sources	-	-	5,598	5,598
Total revenues	<u>465,037</u>	<u>465,037</u>	<u>5,598</u>	<u>(459,439)</u>
<b>EXPENDITURES</b>				
Materials and services	150,000	200,000	106,535	93,465
Capital outlay	<u>637,150</u>	<u>587,150</u>	<u>30,169</u>	<u>556,981</u>
Total expenditures	<u>787,150</u>	<u>787,150</u>	<u>136,704</u>	<u>650,446</u>
Revenues over (under) expenditures	(322,113)	(322,113)	(131,106)	191,007
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balance	(222,113)	(222,113)	(31,106)	191,007
<b>FUND BALANCE, beginning</b>	<u>222,113</u>	<u>222,113</u>	<u>234,490</u>	<u>12,377</u>
<b>FUND BALANCE, ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,384</u>	<u>\$ 203,384</u>

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 1,808,290	\$ 1,808,290	\$ 1,835,571	\$ 27,281
Other sources	803,190	803,190	794,094	(9,096)
Total revenues	2,611,480	2,611,480	2,629,665	18,185
<b>EXPENDITURES</b>				
Debt service	2,588,745	2,588,745	2,588,742	3
Net change in fund balance	22,735	22,735	40,923	18,188
<b>FUND BALANCE, beginning</b>	1,156,554	1,156,554	1,163,446	6,892
<b>FUND BALANCE, ending</b>	<u>\$ 1,179,289</u>	<u>\$ 1,179,289</u>	<u>\$ 1,204,369</u>	<u>\$ 25,080</u>



**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**ENTERPRISE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales	\$ 1,400,000	\$ 1,400,000	\$ 859,336	\$ (540,664)
Tuition and fees	149,661	149,661	85,650	(64,011)
Private sources	-	-	2,500	2,500
Other sources	13,400	13,400	19,612	6,212
Total revenues	<u>1,563,061</u>	<u>1,563,061</u>	<u>967,098</u>	<u>(595,963)</u>
<b>EXPENDITURES</b>				
Personnel services	357,186	357,186	291,844	65,342
Materials and services	1,197,915	1,197,915	750,935	446,980
Capital outlay	15,000	15,000	-	15,000
Total expenditures	<u>1,570,101</u>	<u>1,570,101</u>	<u>1,042,779</u>	<u>527,322</u>
Revenues over (under) expenditures	<u>(7,040)</u>	<u>(7,040)</u>	<u>(75,681)</u>	<u>(68,641)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	23,891	23,891
Transfers out	(20,000)	(20,000)	-	20,000
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>23,891</u>	<u>43,891</u>
Net change in fund balance	(27,040)	(27,040)	(51,790)	(24,750)
<b>FUND BALANCE, beginning</b>	<u>31,554</u>	<u>31,554</u>	<u>105,572</u>	<u>74,018</u>
<b>FUND BALANCE, ending</b>	<u>\$ 4,514</u>	<u>\$ 4,514</u>	<u>\$ 53,782</u>	<u>\$ 49,268</u>

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**INTERNAL SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales	\$ 145,000	\$ 145,000	\$ 109,256	\$ (35,744)
Other sources	3,000	3,000	1,473	(1,527)
Total revenues	<u>148,000</u>	<u>148,000</u>	<u>110,729</u>	<u>(37,271)</u>
<b>EXPENDITURES</b>				
Personnel services	27,153	27,153	26,279	874
Materials and services	131,000	131,000	89,048	41,952
Total expenditures	<u>158,153</u>	<u>158,153</u>	<u>115,327</u>	<u>42,826</u>
Net change in fund balance	(10,153)	(10,153)	(4,598)	5,555
<b>FUND BALANCE, beginning</b>	<u>84,000</u>	<u>84,000</u>	<u>63,217</u>	<u>(20,783)</u>
<b>FUND BALANCE, ending</b>	<u><u>\$ 73,847</u></u>	<u><u>\$ 73,847</u></u>	<u><u>\$ 58,619</u></u>	<u><u>\$ (15,228)</u></u>

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**AGENCY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Private sources	6,300	6,300	11,564	5,264
Other sources	92,500	92,500	62,393	(30,107)
Total revenues	<u>100,300</u>	<u>100,300</u>	<u>73,957</u>	<u>(26,343)</u>
<b>EXPENDITURES</b>				
Personnel services	10,879	10,879	10,379	500
Materials and services	105,895	105,895	63,002	42,893
Total expenditures	<u>116,774</u>	<u>116,774</u>	<u>73,381</u>	<u>43,393</u>
Revenues over (under) expenditures	(16,474)	(16,474)	576	17,050
<b>OTHER FINANCING SOURCES</b>				
Transfers in	4,000	4,000	4,000	-
Net change in fund balance	(12,474)	(12,474)	4,576	17,050
<b>FUND BALANCE, beginning</b>	<u>21,774</u>	<u>21,774</u>	<u>23,143</u>	<u>1,369</u>
<b>FUND BALANCE, ending</b>	<u>\$ 9,300</u>	<u>\$ 9,300</u>	<u>\$ 27,719</u>	<u>\$ 18,419</u>

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**PROPERTY TAX TRANSACTIONS BY COUNTY**

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

Fiscal Year	Receivable - 7/1/2013		2013-14 Levy	Collections & Adjustments		Receivable - 6/30/2014	
	General	Debt		General	Debt	General	Debt
<b>Umatilla County</b>							
2013-14	\$ -	\$ -	\$4,266,398	\$2,798,710	\$ 1,324,647	\$ 97,088	\$ 45,953
2012-13	101,213	48,765	-	52,871	25,474	48,342	23,291
2011-12	60,955	29,258	-	36,236	17,393	24,719	11,865
2010-11	37,729	18,993	-	24,859	12,514	12,870	6,479
2009-10	19,772	9,705	-	17,048	8,368	2,724	1,337
2008-09	4,510	2,189	-	2,872	1,394	1,638	795
2007-08	2,661	1,407	-	2,333	1,234	328	173
2006-07	408	221	-	77	42	331	179
2005-06	402	199	-	149	77	253	122
2004-05	250	124	-	40	20	210	104
Prior	1,235	371	-	184	96	1,051	275
<b>Total</b>	<b>229,135</b>	<b>111,232</b>	<b>4,266,398</b>	<b>2,935,379</b>	<b>1,391,259</b>	<b>189,554</b>	<b>90,573</b>
<b>Morrow County</b>							
2013-14	-	-	1,572,851	1,067,290	483,652	15,077	6,832
2012-13	15,087	6,979	-	6,749	3,122	8,338	3,857
2011-12	7,837	3,630	-	2,725	1,262	5,112	2,368
2010-11	5,390	2,637	-	3,122	1,528	2,268	1,109
2009-10	2,685	1,279	-	2,533	1,207	152	72
2008-09	335	157	-	275	129	60	28
2007-08	161	83	-	119	61	42	22
Prior	443	224	-	293	147	150	77
<b>Total</b>	<b>31,938</b>	<b>14,989</b>	<b>1,572,851</b>	<b>1,083,106</b>	<b>491,108</b>	<b>31,199</b>	<b>14,365</b>
<b>Baker County</b>							
2013-14	-	-	734,781	707,162	-	27,619	-
2012-13	31,965	-	-	14,362	-	17,603	-
2011-12	19,685	-	-	7,385	-	12,300	-
2010-11	10,071	-	-	6,928	-	3,143	-
2009-10	3,329	-	-	2,918	-	411	-
2008-09	536	-	-	296	-	240	-
2007-08	133	-	-	53	-	80	-
Prior	580	-	-	22	-	558	-
<b>Total</b>	<b>66,299</b>	<b>-</b>	<b>734,781</b>	<b>739,126</b>	<b>-</b>	<b>61,954</b>	<b>-</b>
<b>Total - All</b>	<b>\$ 327,372</b>	<b>\$ 126,221</b>	<b>\$6,574,030</b>	<b>\$4,757,611</b>	<b>\$ 1,882,367</b>	<b>\$282,707</b>	<b>\$ 104,938</b>

## **STATISTICAL SECTION**

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**COLLEGE BONDED INDEBTEDNESS AND PROJECTED DEBT SERVICE REQUIREMENTS  
For the Fiscal year Ended June 30, 2014**

**College Bonded Indebtedness**

**Debt Limitation**

ORS 341.675 limits the amount of general obligation bonds that an Oregon community college may have outstanding at any time to one and one-half percent of the real market value of all taxable property within the College District.

**Debt Capacity**

The following table shows the debt capacity of the College.

Umatilla County Real Market Value (2013-2014)	\$ 6,054,392,007
Morrow County Real Market Value (2013-2014)	2,877,019,573
Baker County Real Market Value (2013-2014)	<u>1,460,838,885</u>
<b>Real Market Value (2013–2014) *</b>	<b><u>\$ 10,392,250,465</u></b>
General Obligation Debt Capacity (1.5% of Real Market Value)	\$ 155,883,757
Less: Outstanding Debt subject to limit as of June 30, 2014	<u>(9,720,000)</u>
<b>Remaining Legal Debt Capacity</b>	<b><u>\$ 146,163,757</u></b>

\* Source: Debt Management Division, State of Oregon

**Projected Debt Service Requirements**

Fiscal Year**	Pension Bonds Series 2005		Total Debt Services
	Principal	Interest	
2014-2015	\$325,000	\$464,422	\$789,422
2015-2016	375,000	449,332	824,332
2016-2017	425,000	431,921	856,921
2017-2018	480,000	412,188	892,188
2018-2019	535,000	389,902	924,902
2019-2020	600,000	365,062	965,062
2020-2021	665,000	337,204	1,002,204
2021-2022	735,000	305,078	1,040,078
2022-2023	815,000	269,570	1,084,570
2023-2024	895,000	230,197	1,125,197
2024-2025	985,000	186,960	1,171,960
2025-2026	1,080,000	139,374	1,219,374
2026-2027	1,180,000	87,200	1,267,200
2027-2028	625,000	30,194	655,194
	<u>\$9,720,000</u>	<u>\$4,098,604</u>	<u>\$13,818,604</u>

NOTE: Totals may not foot due to rounding.

\*\* Fiscal years ending June 30.

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF OVERLAPPING DEBT  
For the Fiscal year Ended June 30, 2014**

**Summary of Overlapping Debt  
(As of June 30, 2014)**

<u>Overlapping District</u>	<u>Real Market Valuation</u>	<u>Percent Overlap</u>	<u>Gross Property- tax Backed Debt (1)</u>	<u>Net Property- tax Backed Debt (2)</u>
Baker County SD 5J (Baker)	\$1,172,128,335	99.54%	\$7,046,895	\$7,046,895
City of Boardman	447,410,294	100.00%	5,186,160	0
City of Echo	26,196,081	100.00%	129,423	127,423
City of Haines	18,734,440	100.00%	108,634	0
City of Halfway	27,097,210	100.00%	92,588	92,588
City of Hermiston	928,182,080	100.00%	5,875,000	3,125,000
City of Irrigon	60,781,916	100.00%	4,233,321	1,611,608
City of Lexington	13,160,589	100.00%	158,544	158,544
City of Milton-Freewater	310,240,684	100.00%	240,000	240,000
City of Pendleton	1,055,362,626	100.00%	7,736,778	445,000
City of Pilot Rock	64,819,529	100.00%	215,000	215,000
City of Stanfield	83,658,673	100.00%	11,045	11,045
City of Sumpter	35,211,760	100.00%	767,504	0
City of Ukiah	7,246,922	100.00%	34,573	34,573
City of Umatilla	217,687,389	100.00%	240,817	240,817
East Umatilla RFPD	324,081,191	100.00%	165,000	165,000
Milton-Freewater Water Control District	486,369,604	100.00%	2,680,000	2,680,000
Morrow County Health District	2,427,525,936	100.00%	1,444,500	1,444,500
Morrow County SD 1	1,923,358,042	100.00%	19,018,389	19,018,389
Morrow County SD 2 (Ione)	516,160,744	97.68%	2,046,323	2,046,323
Pilot Rock RFPD 7-401	177,284,165	100.00%	110,000	110,000
Port of Morrow	2,427,525,936	100.00%	6,655,000	0
Umatilla County	6,504,244,024	100.00%	15,820,000	2,895,000
Umatilla County SD 1 (Helix)	230,363,590	100.00%	5,710,000	5,710,000
Umatilla County SD 2 (Pilot Rock)	173,492,842	100.00%	5,395,000	5,395,000
Umatilla County SD 5R (Echo)	235,806,233	100.00%	3,299,334	3,299,334
Umatilla County SD 6 (Umatilla)	386,981,846	100.00%	11,424,203	11,424,203
Umatilla County SD 8 (Hermiston)	2,130,255,885	100.00%	103,800,988	103,800,988
Umatilla County SD 16R (Pendleton)	1,711,301,973	100.00%	77,637,623	77,637,623
Umatilla County SD 29J (Athena- Weston)	404,639,319	99.91%	514,517	514,517
Umatilla County SD 61 (Stanfield)	365,091,943	100.00%	5,357,228	5,357,228
Umatilla County USD 7 (Milton- Freewater)	840,623,221	100.00%	11,969,414	11,969,414
Umatilla-Morrow ESD	12,613,864,637	82.39%	4,115,256	0
Union-Baker ESD	3,681,715,337	39.67%	1,368,357	0
West Umatilla Vector Control Dist.	3,159,360,983	100.00%	45,000	45,000
Willow Creek Park District	834,355,508	100.00%	<u>155,000</u>	<u>155,000</u>
			\$310,807,414	\$267,016,012

(1) "Gross Property-tax Backed Debt" includes all General Obligation (GO) bonds and Full Faith & Credit bonds.

(2) "Net Property-tax Backed Debt" is Gross Property-tax Backed Debt less Self-supporting Unlimited-tax GO and less Self-supporting Full Faith & Credit Debt.

Source: Debt Management Division, Oregon State Treasury

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**OUTSTANDING GENERAL OBLIGATION DEBT AND FINANCIAL INFORMATION  
For the Fiscal year Ended June 30, 2014**

**Outstanding General Obligation Debt  
(As of June 30, 2014)**

**Long Term Borrowing**

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
<u>General Obligation Bonds</u>				
Series 1999	03/01/1999	06/15/2014	\$15,755,000	\$ 0
<u>Full Faith &amp; Credit Obligation Pension Bonds</u>				
Series 2005	06/28/2005	06/30/2028	\$10,875,000	\$9,720,000

**Financial Information**

2013-2014:		
Real Market Valuation (1)		\$10,392,250,465
Assessed Valuation (1)		\$7,729,300,841
Estimated Population (Baker, Morrow and Umatilla Counties)		104,074

**Debt Information (2)**

Net Property-tax Backed Debt	\$ 9,720,000
Net Overlapping Debt	<u>267,016,012</u>
Total Net Property-tax Backed Debt and Net Overlapping Debt	<u>\$ 276,736,012</u>

**Bonded Debt Ratios**

Net Property-tax Backed Debt to Real Market Valuation	0.09%
Net Property-tax Backed and Net Overlapping Debt to Real Market Valuation	2.66%
Per Capita Real Market Valuation	\$ 99,854
Per Capita Net Property-tax Backed Debt	\$ 93
Per Capita Total Net Property-tax Backed and Net Overlapping Debt	\$ 2,659

- (1) The definition of Real Market Value and Assessed Value was changed by the 1997 Legislative Assembly.  
 (2) Net Property-tax Backed Debt and Net Overlapping Debt include all tax-supported bonds. Self-supporting bonds are excluded.



**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**PROPERTY VALUATION  
For the Fiscal year Ended June 30, 2014**

**Future Debt Plans**

The College is currently in the planning process for presenting a General Obligation Bond measure to the voters in Umatilla and Morrow Counties in May 2015. The amount of this bond has not been finalized at this time.

**Property Valuation  
(Fiscal Year Ending June 30, 2014)**

<b>Fiscal Year</b>	<b>Real Market Value</b>			
	<u><b>Umatilla Co</b></u>	<u><b>Morrow Co.</b></u>	<u><b>Baker Co</b></u>	<u><b>Total</b></u>
2014	\$6,054,392,007	\$2,877,019,573	\$1,460,838,885	\$10,392,250,465
2013	6,018,445,445	2,137,135,582	1,468,966,572	9,624,547,599
2012	5,823,035,283	1,772,714,520	1,496,594,342	9,092,344,145
2011	5,832,659,458	1,680,530,420	1,496,971,732	9,010,161,610
2010	5,743,566,783	1,604,931,230	1,504,779,663	8,853,277,676
2009	5,618,827,320	1,403,128,150	1,485,564,368	8,507,519,838
2008	5,124,435,659	1,292,027,940	1,298,877,908	7,715,341,507
2007	4,643,057,007	1,191,671,490	1,154,065,750	6,988,794,247
2006	4,414,832,746	1,194,131,070	1,090,870,950	6,699,834,766
2005	4,352,082,812	1,176,268,964	1,112,535,740	6,640,887,516

<b>Fiscal Year</b>	<b>Assessed Value</b>				<b>Percent of RMV</b>
	<u><b>Umatilla Co.</b></u>	<u><b>Morrow Co</b></u>	<u><b>Baker Co</b></u>	<u><b>Total</b></u>	
2014	\$4,829,505,323	\$1,684,796,590	\$1,214,998,928	\$7,729,300,841	74%
2013	4,711,962,365	1,574,354,332	1,189,560,370	7,475,877,067	78%
2012	4,541,778,458	1,423,418,370	1,154,905,496	7,120,102,324	78%
2011	4,446,818,174	1,332,893,120	1,126,749,198	6,906,460,492	77%
2010	4,297,141,596	1,325,910,840	1,100,674,268	6,723,726,704	76%
2009	4,210,269,289	1,139,826,720	1,059,247,253	6,409,343,262	75%
2008	3,821,659,194	1,138,389,150	1,013,341,793	5,973,390,137	77%
2007	3,745,183,360	1,052,738,920	966,328,345	5,764,250,625	82%
2006	3,616,879,940	1,045,445,870	972,435,018	5,634,760,828	84%
2005	3,519,742,905	1,029,029,550	946,658,071	5,495,430,526	83%

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**PERCENT OF TAX COLLECTION RECORDED – YEAR OF LEVY AND MAJOR TAXPAYERS  
For the Fiscal year Ended June 30, 2014**

Percent of Tax Collection Recorded – Year of the Levy

<u>Collection Year</u>	<u>Umatilla County</u>	<u>Morrow County</u>	<u>Baker County</u>
2013-14	96.65	98.60	96.20
2012-13	96.44	98.50	95.60
2011-12	95.62	98.10	95.30
2010-11	96.07	98.10	95.40
2009-10	95.57	97.90	95.50
2008-09	95.40	97.48	96.10
2007-08	95.96	97.84	96.60
2006-07	95.55	96.90	96.05
2005-06	95.83	96.61	95.55
2004-05	95.86	95.39	94.81

NOTE: Percentage of total Tax Levy. Pre-payment discounts are considered to be collected when outstanding taxes are calculated.

Source: Umatilla, Morrow and Baker Counties' Assessors' Departments

Major Taxpayers  
(2013-2014)

**Baker County**

<u>Taxpayer</u>	<u>Business</u>	<u>Assessed Property Value</u>	<u>Percent of Value</u>
Idaho Power Company	Utility	\$ 92,796,000	7.64%
Ash Grove Cement Company	Cement Processor	73,322,652	6.03%
Union Pacific Railroad Co.	Rail Transportation	43,452,244	3.57%
Northwest Pipeline Corp	Utility	27,600,407	2.27%
Pine Telephone Inc.	Utility	20,856,770	1.72%
Centurylink	Telecommunications	12,846,080	1.06%
Marvin Wood Products Inc.	Lumber	8,844,850	0.73%
TTX Co	Railcar Pooling	7,040,400	0.58%
Pine Valley Land LLC	Land – Agriculture	5,087,437	0.42%
Carshetown, LLC	Lodging	5,064,610	0.42%
Subtotal - Ten of County's largest taxpayers		296,911,450	24.44%
All other County taxpayers		918,087,478	75.56%
<b>Total County Taxpayers</b>		<b>\$1,214,998,928</b>	<b>100.00%</b>

Source: Baker County Assessor's Office

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**MAJOR TAXPAYERS (Continued)  
For the Fiscal year Ended June 30, 2014**

**Major Taxpayers  
(2013-2014)**

**Umatilla County**

<u>Taxpayer</u>	<u>Business</u>	<u>Assessed Property Value</u>	<u>Percent of Value</u>
Hermiston Power LLC	Utility	\$ 224,050,000	4.64%
Pacific Power & Light Co	Utility	137,579,740	2.85%
Hermiston Generating Co	Utility	129,000,000	2.67%
Union Pacific Railroad Co	Rail Transportation	122,980,640	2.55%
Conagra Foods Lamb-Weston Inc.	Food Processing	38,594,073	0.80%
Wal-Mart Stores East LP	Retail Sales	33,940,090	0.70%
FPL Energy Stateline II Inc.	Utility	31,422,175	0.65%
Northwest Pipeline Corp	Utility	31,413,930	0.65%
ANR Pipeline Company	Utility	29,873,100	0.62%
Eurus Combine Hills #2	Utility	27,318,175	0.56%
Subtotal - Ten of County's largest taxpayers		\$ 806,171,923	16.69%
All other County taxpayers		4,023,333,400	83.31%
Total County taxpayers		\$ 4,829,505,323	100.00%

Source: Umatilla County Assessor's Office

**Morrow County**

<u>Taxpayer</u>	<u>Business</u>	<u>Assessed Property Value</u>	<u>Percent of Value</u>
Portland General Electric	Utility	\$ 325,841,182	19.34%
Threemile Canyon Farms, LLC.	Agriculture	144,539,720	8.58%
Avista Corporation	Utility	127,298,000	7.56%
Vadata, Inc.	Data Center	95,273,990	5.65%
Gas Transmission Northwest Corp	Utility	43,799,100	2.60%
Columbia River Processing, Inc.	Food Processing	39,065,620	2.32%
Pacific Ethanol Columbia, LLC	Fuel Production	38,852,350	2.31%
Lamb-Weston, Inc.	Food Processing	35,301,530	2.09%
Port of Morrow	Economic Development	28,868,188	1.71%
Power Resources Cooperative	Utility	21,039,000	1.25%
Subtotal - Ten of County's largest taxpayers		899,878,680	53.41%
All other County Taxpayers		784,917,910	46.59%
Total County taxpayers		\$ 1,684,796,590	100.00%

Source: Morrow County Assessor's Office

**DISCLOSURES IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS AND  
OMB CIRCULAR A-133**

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

January 23, 2015

Board of Education  
Blue Mountain Community College District  
Pendleton, 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 Blue Mountain Community College District as of and for the year ended June 30, 2014, and have issued our report thereon dated January 23, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Blue Mountain Community College District'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 Blue Mountain Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of Blue Mountain Community College District'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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Blue Mountain Community College District'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kenneth Kuhns & Co.*

Kenneth Kuhns & Co.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

January 23, 2015

Board of Education  
Blue Mountain Community College District  
Pendleton, Oregon

**Report on Compliance for Each Major Federal Program**

We have audited Blue Mountain Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Blue Mountain Community College District's major federal programs for the year ended June 30, 2014. Blue Mountain Community College District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Blue Mountain Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Blue Mountain Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Blue Mountain Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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

Management of Blue Mountain Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Blue Mountain Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Blue Mountain Community College District'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Kenneth Kuhns & Co.*

Kenneth Kuhns & Co.



**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2014**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Direct programs:				
Student Financial Assistance Cluster:				
Supplemental Educational Opportunity Grants	84.007		\$ 50,831	\$ 48,679
Federal Work-Study Program 2012-13	84.033		47,852	3,626
Federal Work-Study Program 2013-14	84.033		69,061	69,061
Federal Pell Grant	84.063		3,621,726	3,621,726
Federal Direct Student Loan	84.268		3,367,808	3,352,670
TRIO - Student Support Services	84.042		1,153,301	235,752
Passed through Department of Community Colleges and Workforce Development:				
Adult Education Comprehensive Services Grant	84.002	EE101101BG	107,131	107,131
Adult Education EL/Civics Grant	84.002	EE101101EG	30,446	30,369
Passed through Intermountain Education Service District:				
Carl Perkins - CTE Grant 12-13	84.048		82,273	5,602
Carl Perkins - CTE Grant 13-14	84.048		70,482	70,008
Passed through Western Oregon University:				
Paraprofessional Preparation for Improvement Program	84.325	H325N110017	3,000	<u>1,576</u>
Total U.S. Department of Education				<u>7,546,200</u>
<b>U.S. DEPARTMENT OF LABOR</b>				
Direct program:				
Credentials, Acceleration, and Support for Employment	17.282	TC-22511-11-60-A	656,234	<u>322,990</u>
<b>SMALL BUSINESS ADMINISTRATION</b>				
Passed through Lane Community College:				
Small Business Development Center	59.037	14-140	31,350	<u>31,350</u>
<b>U. S. DEPARTMENT OF COMMERCE - NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION:</b>				
Passed through Lane Community College:				
State Broadband Data and Development (SBDD)	11.558	11-144	9,172	<u>1,033</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<u><u>\$ 7,901,573</u></u>

**BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2014**

**1. Purpose of the Schedule:**

The accompanying schedule of expenditures of federal awards (the Schedule) is a supplementary schedule to Blue Mountain Community College District's (the District's) financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the District, it is not intended to and does not present either the financial position or changes in net position of the District.

**2. Significant Accounting Policies:**

**Reporting Entity:** The reporting entity is fully described in Note 1 to the District's financial statements. The Schedule includes all federal financial assistance programs administered by the District for the year ended June 30, 2014.

**Basis of Presentation:** The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Federal Financial Assistance:** Pursuant to OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

**Basis of Accounting:** The expenditures in the Schedule are recognized as incurred based on the accrual basis of accounting and the cost accounting principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

**Matching Costs:** The Schedule does not include matching expenditures.

**3. Federal Perkins Loans:** Activity of the District's Federal Perkins Loan program (CFDA # 84.038) during the 2013-14 fiscal year is as follows:

Balance - 7/1/2013	\$ 38,054
Loan repayments	<u>(548)</u>
Balance - 6/30/2014	<u>\$ 37,506</u>

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2014

A - SUMMARY OF AUDIT RESULTS:

1. The independent auditor's report expresses an unmodified opinion on the financial statements of Blue Mountain Community College District.
2. There were no significant deficiencies in internal control over financial reporting reported during the audit of the financial statements of Blue Mountain Community College District.
3. No instances of noncompliance material to the financial statements of Blue Mountain Community College District were disclosed during the audit.
4. There were no significant deficiencies in internal control over compliance reported during the audit of the major federal award programs of Blue Mountain Community College District.
5. The independent auditor's report on compliance for the major federal award programs of Blue Mountain Community College District expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs of Blue Mountain Community College District are reported in this schedule.
7. The programs tested as major programs are as follows:

Program Name	CFDA Number
Student Financial Aid Cluster:	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Student Loans	84.268
Federal Perkins Loans	84.038
Federal Work-Study Program	84.033
Federal Pell Grant Program	84.063
Credentials, Acceleration, and Support for Employment	17.282

8. The threshold for distinguishing Type A programs from Type B programs was \$300,000.
9. Blue Mountain Community College District was determined to be a low-risk auditee.

B - FINDINGS, FINANCIAL STATEMENTS AUDIT:

None.

C - FINDINGS AND QUESTIONED COSTS, MAJOR FEDERAL AWARD PROGRAMS AUDIT:

None.

## **INDEPENDENT AUDITOR'S COMMENTS**

INDEPENDENT AUDITOR'S COMMENTS  
REQUIRED BY OREGON STATE REGULATIONS

January 23, 2015

Board of Education  
Blue Mountain Community College District  
Pendleton, 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 Blue Mountain Community College District as of and for the year ended June 30, 2014, and have issued our report thereon dated January 23, 2015.

**Internal Control Over Financial Reporting**

Our report on Blue Mountain Community College District's internal control over financial reporting is presented elsewhere in this Annual Financial Report.

**Compliance**

As part of obtaining reasonable assurance about whether Blue Mountain Community College District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial 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.

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 Blue Mountain Community College District was not in substantial compliance with certain provisions of laws, regulations, contracts and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

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

*Kenneth Kuhns & Co.*

Kenneth Kuhns & Co.