BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

Blue Mountain
Community College

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BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

DISTRICT OFFICIALS
June 30, 2015

Board of Education	Address	Term Expires
Ed Taber Chair	PO Box 66 Pendleton, OR 97801	2017
Bryan Branstetter Vice-Chair	911 NW Carden Pendleton, OR 97801	2015
Eddie De La Cruz Director	PO Box 1678 Hermiston, OR 97862	2015
Lea Mathieu Director	PO Box 302 Ione, OR 97843	2015
Dr. Kim B. Puzey Director	970 SE 5th Hermiston, OR 97838	2017
Dr. Anthony Turner Director	84822 Didion Lane Milton-Freewater 97862	2017

The College had one vacant director position at June 30, 2015.

Chief Executive Officer and President

Dr. Camille Preus

Administrative Office

2411 NW Carden Ave.
Pendleton, OR 97801

FINANCIAL SECTION

KENNETH KUHNS & CO.
CERTIFIED PUBLIC ACCOUNTANTS
570 LIBERTY STREET S.E., SUITE 210
SALEM OREGON 97301-3594
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INDEPENDENT AUDITOR'S REPORT

January 29, 2016

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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements under the caption "New Accounting Pronouncements," during the 2014-15 fiscal year the District adopted new accounting guidance related to accounting and financial reporting for pensions. GASB Statement No. 68 establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information 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 29, 2016 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 29, 2016 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.

Kenneth Kuhns & Co.

Management’s Discussion and Analysis

Board of Directors
Blue Mountain Community College District

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, 2015 and 2014. 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference net of the four 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.

Financial Highlights

These are the major events of the fiscal year ended June 30, 2015, with regards to the District's financial position:

- The District increased tuition 2.27%, from $88 to $90 per credit beginning Summer Term 2014. 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. This rate however, is only slightly higher than the Higher Education Price Index (HEPI) for 2014 of 2%. This index is more applicable to the costs surrounding higher education and is part of the information that is used when setting tuition rates. The Board of Education approved the use of a higher rate for fiscal year 2014-15 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 as well as anticipated cost increases in utility costs, goods, services and personnel.

  For fiscal year 2014-15, tuition and fee revenue decreased by approximately $301,000 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 2014-15, total full-time equivalent students (FTE) as well as unduplicated headcount decreased. Total FTE decreased by 226 or 8.56% with FTE totaling 2,413 in 2014-15 and 2,639 in 2013-14. 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 decreased by 611 or 6.44% with headcounts of 8,870 in 2014-15 and 9,481 in 2013-14. The funding formula FTE decreased by 142 or 6.17% for fiscal year 2014-15 with reimbursable FTE of 2,159 in 2014-15 and 2,301 in 2013-14.

- FTE reimbursement from the State of Oregon decreased by 28% from $5.15 million to $3.71 million. The decrease was caused primarily by the Oregon Legislature's deferral of its fiscal year 2014-15 fourth quarter reimbursement from April 2015 to July 2015. 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 three quarters of FTE reimbursement as opposed to five quarters of FTE reimbursement reported in fiscal year ended June 30, 2014. 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 prior fiscal year which compounded the decrease caused by the timing difference described above.

  For fiscal year 2014-15, the decrease in FTE reimbursement of $1.44 million contains a $1.93 million decrease that is the result of timing differences in the recognition of revenue, and does not represent a change in FTE reimbursement rates.

- Cash and cash equivalents decreased by $2.18 million during the current fiscal year due primarily to the timing of the state FTE reimbursement referred to above as well as a decrease in tuition and fees.

- 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 a restated amount of $27.3 million to $28.3 million.

- One of the District's largest components of net position, $30.4 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.

- The College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 in the year ending June 30, 2015. The effects of GASB 68 and GASB 71 are shown as a prior period adjustment in the financial statements for the year ending June 30, 2015. Prior year information has not been restated.

Analysis of the Statement of Net Position
As of June 30, 2015

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 deferred outflows of resources, and liabilities and deferred inflows of resources, and is one measure of the financial condition of the District.

At June 30, 2015, the District's assets were approximately $45.9 million. The District's current assets decreased $1.82 million as a result of a combination of fiscal year 2014-15's fourth quarter State FTE reimbursement payment being received in the 2015-16 fiscal year and a decrease in tuition and fee revenue resulting in a decrease in cash & cash equivalents and a decrease in inventory levels in the bookstore. The District's 2015 current assets of $9.08 million were sufficient to cover current liabilities of $1.57 million. This represents a current ratio of 5.76 compared to the current ratio in 2014 of 8.13. Receivables consist of taxes, student accounts, intergovernmental, and various operating receivables.

The District's investment in capital assets is $30.4 million, net of accumulated depreciation. This is a decrease in net capital assets of $698,082 from fiscal year 2013-14, indicating that new acquisitions and improvements were lower than the increase in accumulated depreciation.

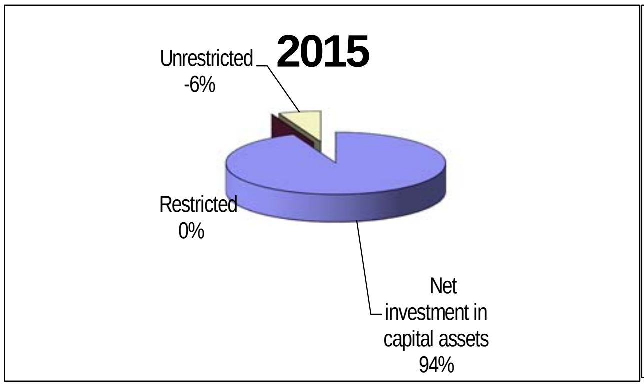
	2015	2014	Increase (Decrease)
Assets			
Current assets	$ 9,083,116	$ 10,899,615	$ (1,816,499)
Capital assets, net of depreciation	30,404,861	31,102,943	(698,082)
Other non-current assets	5,661,958	9,871,007	(4,209,049)
Deferred Outflows	765,423	-	765,423
Total assets and deferred outflows	$ 45,915,358	$ 51,873,565	$ (5,958,207)
Liabilities			
Current liabilities	$ 1,576,509	$ 1,343,719	$ 232,790
Long-term debt, non-current portion	10,939,762	9,395,000	1,544,762
Total liabilities	12,516,271	10,738,719	1,777,552
Deferred Inflows	5,017,443	-	5,017,443
Net Position			
Net investment in capital assets	30,404,861	31,102,943	(698,082)
Unrestricted	(2,023,217)	10,031,903	(12,055,120)
Total net position	28,381,644	41,134,846	(12,753,202)
Total Liabilities, deferred inflows and Net Position	$ 45,915,358	$ 51,873,565	$ (5,958,207)

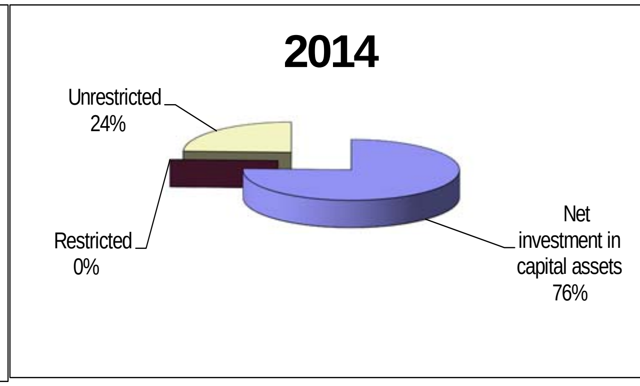
Other non-current assets represent the prepayment of the District's unfunded actuarial liability for pension benefits and payments for other postemployment benefits (OPEB) in excess of the annual required contributions.

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

Deferred Inflows as of June 30, 2015 was 5.0 million and is a result of a change in pension reporting.

Within net position, the “net investment in capital assets” amount is $30.4 million, a decrease of approximately $698,082. Unrestricted net position consists of amounts for the continuing operation of the District. The unrestricted net position decreased by $12.0 million in 2014-15 as a result of the 2014-15 fourth quarter State FTE reimbursement payment being received in the 2015-16 fiscal year, a decrease in tuition and fee revenue, a decrease in inventory levels, and a change in pension reporting.





Analysis of the Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

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).

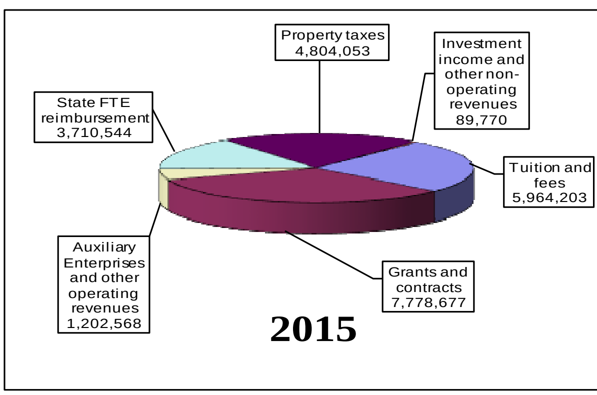
	2015	2014	Increase (Decrease)
Total operating revenues	$ 14,945,448	$ 16,893,937	$ (1,948,489)
Total operating expenses	22,013,906	25,086,662	(3,072,756)
Operating loss	(7,068,458)	(8,192,725)	1,124,267
Nonoperating revenues, net	8,070,011	12,572,347	(4,502,336)
Capital Contributions	49,499	12,400	37,099
Total increase in net position	1,051,052	4,392,022	(3,340,970)
Net position, beginning of year	41,134,846	36,742,824	4,392,022
Prior period adjustment	(13,804,254)	-	(13,804,254)
Net position, end of year	**$ 28,381,644**	**$ 41,134,846**	**$ (12,753,202)**

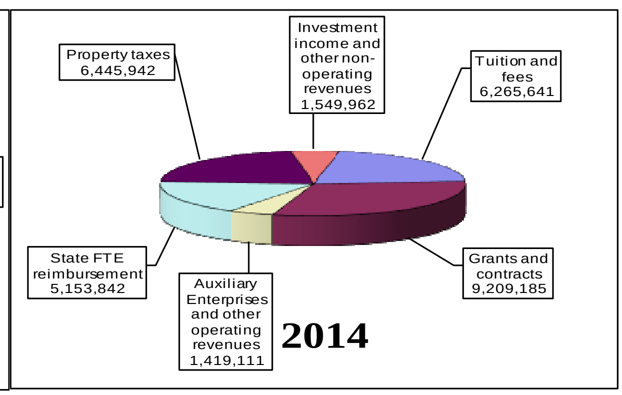
Revenues:

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 $5.96 million, net of scholarship allowances. Tuition and fees decreased from fiscal year 2013-14 by approximately $301,000. Tuition rates increased moderately between years with a $2 per credit increase implemented summer term. In addition, the Agriculture Student Fee, Security Fee, Student Access Fee, and the Distance Education Course Fee (with a My Lab Component) were removed; the Technology Fee was increased; and an Agriculture Course Fee, a Universal Fee, a Fire Science Term Fee, and a MyLab Course Fee were implemented. 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 2013-14.

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 $3.11 million. This is a decrease of $619,295 from fiscal year 2013-14 as a result of a decrease in Federal Pell Grant and Direct Student Loan disbursements. Revenue from federal, state, and local grants and contracts was approximately $4.66 million. This is a decrease of $811,213 from fiscal year 2013-14 as a result of decreased funding for the Career Pathways Grant, C.A.S.E. Grant, Eastern Promise Program, and other state initiated grants and contracts, buffered by an increase in State Strategic Fund Grants. 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 $752,129 for the year. This is a decrease of $214,969 from fiscal year 2013-14 as a result of decreased student enrollments.

Approximately $4.8 million in non-operating revenues were received from property tax levies, a decrease of $1.64 million from fiscal year 2013-14. Property taxes needed to support the general operations of the District increased by $218,159 and property taxes needed to service the 1999 bond issue debt decreased by $1.8 million as the bond was retired in fiscal year 2013-14. The second largest non-operating revenue source for fiscal year 2014-15 is from the State of Oregon in the form of FTE reimbursement. The District received $3.71 million in FTE reimbursement this fiscal year. This represents a decrease of $1.44 million from the prior year as a result of not receiving the fiscal year 2014-15 fourth quarter payment in the current fiscal year, compounded by the fact that the fourth quarter payment for 2012-13 was received in 2013-14. (Three quarterly payments received in 2014-15 versus five received in 2013-14.) Investment income and other non-operating revenue decreased by $1.46 million in the current fiscal year. This decrease is a result of a combination of increased capital contributions and decreased income from pension assets due to a change in pension reporting. The following graphs show the allocation of revenues for the District:

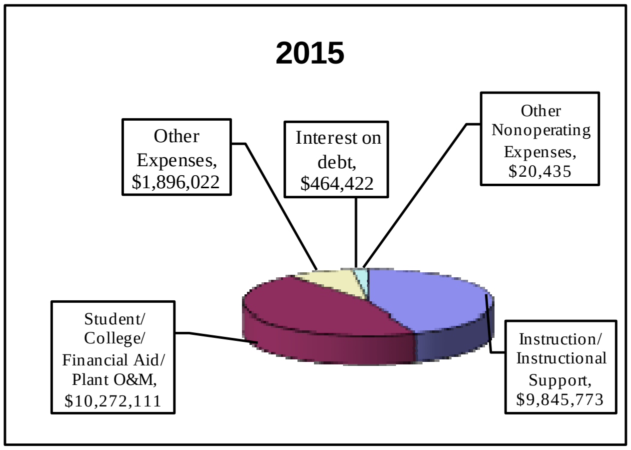


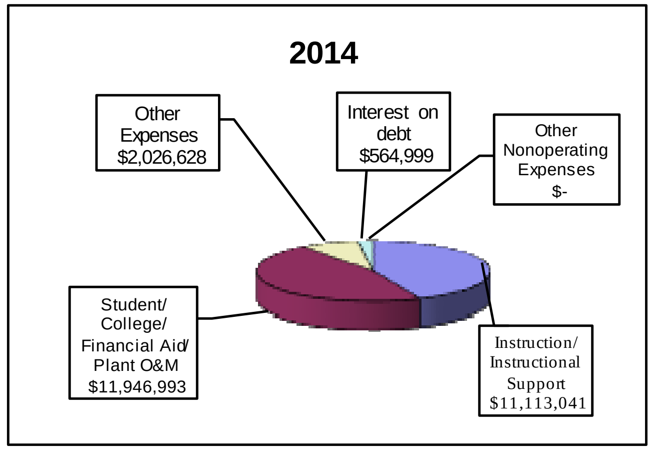


Expenses:

Operating expenses totaling $22.01 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 2014-15 at $10.27 million or 46% of total expenses. Instruction and instructional support represent $9.84 million or 44% of total expenses. Other expenses, including auxiliary enterprises, depreciation, and facilities acquisition & construction, represent $1.89 million or 8% of total expenses.

There were two non-operating expenses in fiscal year 2014-15 one of which was interest on debt related to the prepayment of the PERS unfunded actuarial liability, and the other was a loss on sale of capital assets. Total interest expense during fiscal year 2014-15 was $464,422, which represents 2% of total expenses. This Interest of $464,422 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 $1.05 million (after restatement of the June 30, 2014 balance) during fiscal year 2014-15.

Analysis of the Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

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.

	2015	2014	Increase (Decrease)
Cash Provided By (Used In):			
Operating Activities	$ (9,940,868)	$ (7,115,819)	$ (2,825,049)
Noncapital Financing Activities	7,798,094	9,058,415	(1,260,321)
Capital Financing Activities	(82,385)	(73,676)	(8,709)
Investing Activities	40,271	41,953	(1,682)
Net increase (decrease) in cash	(2,184,888)	1,910,873	(4,095,761)
Cash – Beginning of year	8,266,483	6,355,610	1,910,873
Cash – End of year	**$ 6,081,595**	**$ 8,266,483**	**$ (2,184,888)**

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 decreased by approximately 28% from fiscal year 2013-14, due to the deferred fourth quarter reimbursement and increase in state funding discussed under "Financial Highlights".

Net cash flows from capital financing activities decreased due to an increase in capital grants received property taxes levied for capital debt and an increase in outflows for acquisition of capital assets during fiscal year 2014-15.

Cash flows from investing activities include earnings on investments of $40,271.

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 2014-15, budget adjustments between expenditure categories were approved by the Board of Education to accommodate increased Personnel Services in the Agency, Internal Service, Special Revenue, and General Fund; increased Materials & Services purchases in the Building Fund; and increased Capital Outlay in the Internal Service 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, 2015, amounts to $30.4 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. In May 2015, District voters in Umatilla and Morrow counties approved $23 million of general obligation bonds to fund construction, acquisition, remodeling and upgrading of educational facilities. A portion of these funds will serve as matching funds for the State Article XI-G Bonds.

Additional information on the District's capital assets can be found in Note III-E of the notes to the basic financial statements (page 14).

Long-Term Debt

At the end of the 2014-15 fiscal year, the District had total debt outstanding of $9,643,918. Of this amount, $9,395,000 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 $248,918 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 $164,209,923, which is significantly higher than the District's outstanding general obligation debt. The District's outstanding debt is about 5.72% of the legal debt limit. Additional information on the District's long-term debt can be found in Note III-F of the notes to the basic financial statements (page 15) and the Statistical Section (page 38-43).

The District's prior General Obligation Bond, Series 1999 matured in June 2014. District administration took a new general obligation bond levy initiative to the voters in May 2015 which was approved by

District voters in Umatilla and Morrow counties. On August 11, 2015 the College issued the bonds to finance capital expenditures. The Bonds will be retired from property taxes levied by the District.

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 was 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 2014-15 fiscal year.

The fourth quarter State FTE reimbursement payment for fiscal year 2014-15 was 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 2014-15 fiscal year, tuition rates were increased $2 per credit from $88 to $90. An additional $4 per credit increase will be made to tuition beginning summer 2015. 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 2014-15, the District experienced a decrease in total Full-Time Equivalent students (FTE). The District had 2,413 total FTE in 2014-15, which was down 226 FTE (8.56%) from 2013-14. The District's reimbursable FTE decreased by 142 FTE (6.17%) 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 6.68% 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 classified association began in May 2015 and the contract was finalized in June 2015. This contract is effective through June 2018. Contract negotiations with the faculty association were finalized in October 2014. This contract is effective through June 2016.

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 of these rate fluctuations. During fiscal year 2014-15, 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 2015-16.

Among the key measures enacted by the Oregon legislature in 2014 were changes to the structure of the annual cost-of-living adjustments for participants in PERS. While these changes would have reduced the PERS liability and help the state make additional funds available, the Oregon Supreme Court overturned these legislative actions in the spring of 2015. Due to the timing of the ruling, the rate impact won't be fully implemented until the FY2017-19 biennium. Preliminary estimates show significant rate increases for all public agencies in Oregon.

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, 2015, that includes a $4.00 per credit hour tuition increase beginning summer term 2015. This increase is higher than the Cost-of-Living Index increase which has been used in prior years to set the tuition rate. The justification for using a higher rate is 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 as well as anticipated cost increases in utility costs, goods, services and personnel.

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:

	2015	2014
Current Assets	$ 6,285	$ 13,407
Non-Current Assets	3,321,768	3,384,367
Total Assets	$ 3,328,053	$ 3,397,774
Current Liabilities	$ 87,292	$ 78,563
Restricted Net Position	3,076,698	3,169,590
Unrestricted Net Position	164,063	149,621
Total Liabilities and Net Position	$ 3,328,053	$ 3,397,774
Operating Revenues	$ 237,443	$ 176,308
Operating Expenses	340,084	253,137
Operating Loss	(102,641)	(76,829)
Non-Operating Revenues (Expenses)	24,191	484,392
Increase in Net Position	(78,450)	407,563
Net Position, Beginning of Year	3,319,211	2,911,648
Net Position, End of Year	$ 3,240,761	$ 3,319,211

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, 2015

	Primary Government	Component Unit
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,077,060	$ 250
Restricted cash and cash equivalents	4,535	-
Receivables:		
Taxes	314,726	-
Intergovernmental	1,800,197	-
Student accounts	253,691	-
Other accounts	87,587	610
Due from component unit	87,102	-
Prepayments	172,007	-
Inventories	286,211	-
Contracts receivable, current portion	-	5,425
Total current assets	9,083,116	6,285
NONCURRENT ASSETS		
Net pension asset	5,600,106	-
Other postemployment benefits obligation	61,852	-
Investments	-	734,900
Beneficial interest in assets held by The Oregon Community Foundation	-	2,540,847
Contracts receivable, less current portion	-	42,402
Capital assets, non-depreciable	2,647,381	-
Capital assets, depreciable - net of accumulated depreciation	27,757,480	3,619
Total noncurrent assets	36,066,819	3,321,768
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS	765,423	-
Total assets and deferred outflows	45,915,358	3,328,053
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	294,024	190
Payroll liabilities	516,331	-
Unearned revenues	114,556	-
Compensated absences	248,918	-
Due to primary government	-	87,102
Due to others	27,680	-
Current maturities of long-term debt	375,000	-
Total current liabilities	1,576,509	87,292
NONCURRENT LIABILITIES		
Bonds payable, net of current maturities	9,020,000	-
Pension transition liability	1,919,762	-
Total noncurrent liabilities	10,939,762	-
Total liabilities	12,516,271	87,292
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS	5,017,443	-
NET POSITION		
Invested in capital assets	30,404,861	-
Restricted:		
Temporary endowment and scholarships	-	2,018,878
Permanent endowment	-	1,057,820
Unrestricted	(2,023,217)	164,063
Total net position	$ 28,381,644	$ 3,240,761

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, 2015

	Primary Government	Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of $420,980	$ 5,964,203	$ -
Federal student financial aid grants	3,117,917	-
Federal, state and local grants and contracts	4,660,760	-
Auxiliary enterprises	752,129	-
Foundation contributions	-	232,515
Other operating revenues	450,439	4,928
Total operating revenues	14,945,448	237,443
OPERATING EXPENSES		
Educational and general:		
Instruction	5,757,025	-
Instructional support	4,088,748	-
Other support services:		
Student services	2,173,673	-
Community services	17,729	-
College support services	2,954,542	-
Plant operations and maintenance	1,547,484	-
Student financial aid	3,578,683	-
Facilities acquisition and construction	203,591	-
Auxiliary enterprises	827,150	-
Foundation programs	-	339,207
Depreciation	865,281	877
Total operating expenses	22,013,906	340,084
Operating loss	(7,068,458)	(102,641)
NONOPERATING REVENUES (EXPENSES)		
State community college support	3,710,544	-
Property taxes	4,804,053	-
Investment income	40,271	24,191
Loss on sale of capital assets	(20,435)	-
Interest expense	(464,422)	-
Total nonoperating revenues (expenses)	8,070,011	24,191
Income (loss) before contributions	1,001,553	(78,450)
CAPITAL CONTRIBUTIONS	49,499	-
Change in net position	1,051,052	(78,450)
NET POSITION, beginning of year as originally reported	41,134,846	3,319,211
PRIOR PERIOD ADJUSTMENT	(13,804,254)	-
NET POSITION, beginning of year as restated	27,330,592	3,319,211
NET POSITION, end of year	$ 28,381,644	$ 3,240,761

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, 2015

	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$ 5,982,478
Receipts from federal student financial aid grants	2,860,297
Receipts from federal, state and local grants and contracts	4,396,086
Receipts from auxiliary enterprises sales	791,061
Other cash receipts	545,168
Payments to employees for services	(15,849,623)
Payments to suppliers for goods and services	(4,798,528)
Payments for student scholarships and grants	(3,867,807)
Net cash used in operating activities	(9,940,868)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from State community college support	3,710,544
Cash received from property taxes	4,876,972
Principal paid on pension bonds	(325,000)
Interest paid on pension bonds	(464,422)
Net cash provided by noncapital financing activities	7,798,094
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants received	49,499
Proceeds from sale of capital assets	1,500
Acquisition of capital assets	(133,384)
Net cash used in capital and related financing activities	(82,385)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	40,271
Net decrease in cash and cash equivalents	(2,184,888)
CASH AND CASH EQUIVALENTS, beginning of year	8,266,483
CASH AND CASH EQUIVALENTS, end of year	$ 6,081,595

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, 2015

	Primary Government
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (7,068,458)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	865,281
Change in net pension asset/liability	(8,255,930)
Decrease-(increase) in:	
Receivables	(352,708)
Prepayments	(125,637)
Inventories	37,037
Deferred outflows of resources	(23,976)
Other postemployment benefits obligation	1,303
Increase-(decrease) in:	
Accounts payable	87,966
Payroll liabilities	38,412
Unearned revenues	(17,650)
Compensated absences	18,351
Pension transition liability	(162,263)
Due to others	(39)
Deferred inflows of resources	5,017,443
Total adjustments	(2,872,410)
Net cash used in operating activities	$ (9,940,868)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Book value of capital assets disposed	$ 21,935
Loss on disposal of capital assets	(21,935)
Total noncash investing, capital and financing activities	$ -

The accompanying notes are an integral part of this statement.

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.

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. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

E. 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.

F. 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.

G. 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.

H. 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.

I. 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

J. 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.

K. 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.

L. 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.

M. 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.

N. 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.

O. 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*.

P. 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.

Q. Pension Plans

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

R. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. GASB Statement No. 68 establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The District implemented GASB Statements No. 68 and 71 in the year ending June 30, 2015. Additional information can be found in Note IV B – Pension Plans and Note IV E – Prior Period Adjustment.

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.

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, 2015, 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, 2015. 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, 2015, the carrying amount of the District's deposits was $2,207,611 and the bank balance was $2,365,392. All deposits are held in the name of the District. Of the bank balance, $260,588 was covered by federal depository insurance. The remaining $2,104,804 was collateralized under ORS 295. This balance was exposed to custodial credit risk as of June 30, 2015, 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.

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, 2015 was $37. 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 $4,498.

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, 2015 were: 74% mature within 93 days, 6% mature from 94 days to one year, and 20% mature from one to three years.

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

Cash on hand and other	$ 15,987
Deposits with financial institutions	2,207,611
Cash and cash equivalents, in escrow	37
Local Government Investment Pool	3,857,960
Total cash and cash equivalents	$ 6,081,595

Foundation Investments and Beneficial Interest in Assets Held by The Oregon Community Foundation - The Foundation's investments of $734,900 at June 30, 2015 consist primarily of investments held in various mutual funds. The Foundation also has a $2,540,847 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, 2015, The Foundation's investments in mutual funds are reported at fair value as Level 1 investments. At June 30, 2015, 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 2014-15 included gains of $3,633 reported in unrestricted net position and gains of $20,558 reported in temporarily restricted net position. Investment return consisted of realized earnings of $48,006 and a $23,815 decrease in fair value.

B. Receivables

Receivables as of year-end are as follows:

	Taxes	Other Accounts	Student Accounts	Inter-governmental	Total
Total receivables	$ 314,726	$ 112,491	$ 1,162,336	$ 1,800,197	$ 3,389,750
Less allowance for uncollectibles	-	(24,904)	(908,645)	-	(933,549)
Net total receivables	$ 314,726	$ 87,587	$ 253,691	$ 1,800,197	$ 2,456,201

C. 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:

Year ending June 30,	
2016	$ 5,425
2017	5,845
2018	6,268
2019	6,721
2020	7,203
2021-2022	16,365
Total	$ 47,827

D. Unearned Revenues

Unearned revenues in the basic financial statements are reported for revenues that have been received, but not yet earned. Unearned revenues consist of tuition and fees collected in advance at June 30, 2015.

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

E. Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
Capital assets not being depreciated:				
Land	$ 1,045,819	$ -	$ -	$ 1,045,819
Land improvements	1,502,362	-	-	1,502,362
Art and historical treasures	99,200	-	-	99,200
Total capital assets not being depreciated	2,647,381	-	-	2,647,381
Capital assets being depreciated:				
Buildings and improvements	35,748,106	-	-	35,748,106
Equipment and machinery	4,235,898	172,038	1,311,214	3,096,722
Library collections	567,595	5,691	-	573,286
Infrastructure	1,120,935	11,405	-	1,132,340
Total capital assets being depreciated	41,672,534	189,134	1,311,214	40,550,454
Less accumulated depreciation for:				
Buildings and improvements	9,124,576	595,802	-	9,720,378
Equipment and machinery	3,365,292	233,550	1,289,279	2,309,563
Library collections	498,344	16,654	-	514,998
Infrastructure	228,760	19,275	-	248,035
Total accumulated depreciation	13,216,972	865,281	1,289,279	12,792,974
Total capital assets being depreciated, net	28,455,562	(676,147)	21,935	27,757,480
Total capital assets, net	$ 31,102,943	$ (676,147)	$ 21,935	$ 30,404,861

Changes in the Foundation capital assets are as follows:

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
Capital assets being depreciated:				
Equipment and machinery	$ 8,776	$ -	$ -	$ 8,776
Accumulated depreciation	(4,280)	(877)	-	(5,157)
Total capital assets, net	$ 4,496	$ (877)	$ -	$ 3,619

F. Long-Term Debt

1. 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:

Year ending June 30	Principal	Interest
2016	$ 375,000	$ 449,332
2017	425,000	431,921
2018	480,000	412,188
2019	535,000	389,902
2020	600,000	365,062
2021-2025	4,095,000	1,329,009
2026-2028	2,885,000	256,768
Total	$ 9,395,000	$ 3,634,182

2. Changes in Long-Term Debt

Activity for the year ending June 30, 2015 is as follows:

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Due Within One Year
Compensated absences	$ 230,567	$ 314,185	$ 295,834	$ 248,918	$ 248,918
Limited Tax Pension Bonds	9,720,000	-	325,000	9,395,000	375,000
Total	$ 9,950,567	$ 314,185	$ 620,834	$ 9,643,918	$ 623,918

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. Pension Plans – State of Oregon Public Employees Retirement System

Plan Description

The District contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: 1) The Pension Program, the defined benefit portion of the plan which applies to qualifying District employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. 2) The Individual Account Program (IAP), the defined contribution portion of the plan. Beginning January 1, 2004, all PERS member contributions go into the IAP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

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

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits Provided

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

Pension Benefits

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

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

Death Benefits

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

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

Disability Benefits

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

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

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

<u>Death Benefits</u>

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

<u>Disability Benefits</u>

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

<u>Benefit Changes after Retirement</u>

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

3. OPSRP Individual Account Program (OPSRP IAP)

<u>Pension Benefits</u>

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

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

<u>Death Benefits</u>

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

<u>Recordkeeping</u>

PERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2015 were $765,423, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2015 were 8.89 percent for Tier One/Tier Two General Service Members and 7.09 percent for OPSRP Pension Program General Service Members, net of 7.15 percent of side account rate relief. An additional 6 percent contribution is required for the OPSRP Individual Account Program.

Pension Assets, Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2015, the District reported an asset of $5,600,106 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities actuarially determined. PERS has established side accounts for employers that made lump sum payments to the plan in excess of their actuarially required contributions. Since different contribution rates are assessed to employers based on the value of the side accounts, the side account values were reflected separately in the proportionate share calculation. On June 30, 2014, the District's proportion was 0.10963119%.

For the year ended June 30, 2015, the District recognized pension income of $2,329,524. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	$ -	$ 4,795,094
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	222,349
College's contributions subsequent to the measurement date	765,423	-
Year Ended June 30, 2015	$ 765,423	$ 5,017,443

The amount of $765,423 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	$ (1,247,111)
2017	(1,247,111)
2018	(1,247,111)
2019	(1,247,110)
2020	(29,000)
Total	$ (5,017,443)

Actuarial Assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2012 rolled forw ard to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Tw o UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll grow th
Mortality	Health retirees and beneficiaries; PF-2000 Sex-distinct, generational per Scale AA, w ith collar adjustments and set-back as described in the valuation.
	Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
	Disabled retirees; Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	100.00%	
Assumed Inflation - Mean		2.75%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability (asset)	$ 2,147,309	$ (5,600,106)	$ (12,152,601)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Transition Liability

The District reports a separate liability to the plan with a balance of $1,919,762 at June 30, 2015. The liability represents the District's allocated share of the pre-SLGRP pooled liability. The District is being assessed an employer contribution rate of 1.86 percent of covered payroll for payment of this transition liability.

Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by PERS.

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 6 retired and 43 active employees in its plan on June 30, 2015. 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 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	(1,895)
Adjustment to annual required contribution	7,188
Annual OPEB cost (expense)	48,301
Contributions made (Explicit benefit payments)	46,998
Increase in net OPEB obligation	1,303
Net OPEB obligation (asset) - beginning of year	(63,155)
Net OPEB obligation (asset) - end of year	$ (61,852)

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 total annual contributions made exceed total annual OPEB costs, 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:

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contributions	Net OPEB Obligation (Asset)
6/30/2015	$ 48,301	97%	$ (61,852)
6/30/2014	$ 47,672	116%	$ (63,155)
6/30/2013	$ 58,851	103%	$ (55,640)

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, presented as Required Supplementary Information following the notes to the financial statements, 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.

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.

D. 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.

E. Prior Period Adjustment

Based on implementation of GASB Statements No. 68 and 71, the District had a prior period adjustment to the beginning net position. The effect of this adjustment is as follows:

NET POSITION:	
Net position - beginning of year, as previously reported	$ 41,134,846
Prior period adjustment	(13,804,254)
Net position - beginning of year, as restated	$ 27,330,592

F. Subsequent Event

On August 11, 2015, the District issued $23 Million in General Obligation Bonds, Series 2015 to finance capital improvements. The bonds will be retired from property taxes levied by the District.

Required Supplementary Information

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

Schedule of the Proportionate Share of the Net Pension Liability

Public Employees Retirement System Plan

Year Ended June 30,	(a) College's proportion of the net pension liability (asset)	(b) College's proportionate share of the net pension liability (asset)	(c) College's covered payroll	(b/c) College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.10963119%	$ (5,600,106)	$ 9,622,236	-58.20%	103.60%
2014	0.10963119%	2,655,824	9,740,796	27.26%	91.97%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

Schedule of Contributions

Public Employees Retirement System Plan

Year Ended June 30,		(a) Statutorily required contribution		(b) Contributions in relation to the statutorily required contribution		(a-b) Contribution deficiency (excess)		(c) College's covered payroll	(b/c) Contributions as a percent of covered payroll
2015	$	765,423	$	765,423	$	-	$	9,622,236	7.95%
2014		741,447		741,447		-		9,740,796	7.61%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:
http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

Changes of assumptions

A summary of key changes implemented since the December 31, 2011 valuation are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:
http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at:
http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

Schedule of Funding Progress
OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Anticipated Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
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 annual required contribution is calculated using the entry age normal cost method. The District's Plan has less than 200 participants and requires triennial valuations.

Other Supplementary Information
Description of Budgeted College Funds

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 charges to other funds and earnings from investments.

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 4,799,270	$ 4,799,270	$ 4,809,412	$ 10,142
Tuition and fees	6,213,550	6,213,550	5,569,568	(643,982)
State sources	4,359,950	4,359,950	4,540,337	180,387
Private sources	50,000	50,000	50,000	-
Other sources	434,060	434,060	623,454	189,394
Total revenues	15,856,830	15,856,830	15,592,771	(264,059)
EXPENDITURES				
Personnel services	12,264,863	12,414,863	11,705,933	708,930
Materials and services	4,002,449	3,852,449	3,315,328	537,121
Capital outlay	62,000	62,000	6,207	55,793
Total expenditures	16,329,312	16,329,312	15,027,468	1,301,844
Revenues over (under) expenditures	(472,482)	(472,482)	565,303	1,037,785
OTHER FINANCING SOURCES (USES)				
Transfers in	181,080	181,080	129,488	(51,592)
Transfers out	(273,200)	(273,200)	(264,300)	8,900
Total other financing sources (uses)	(92,120)	(92,120)	(134,812)	(42,692)
Net change in fund balance	(564,602)	(564,602)	430,491	995,093
FUND BALANCE, beginning	2,176,440	2,176,440	2,664,363	487,923
FUND BALANCE, ending	$ 1,611,838	$ 1,611,838	$ 3,094,854	$ 1,483,016

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 123,915	$ 123,915	$ 117,319	$ (6,596)
Tuition and fees	930,810	930,810	815,616	(115,194)
State sources	4,575,083	4,575,083	4,075,591	(499,492)
Federal sources	13,500,445	13,500,445	6,323,975	(7,176,470)
Private sources	385,861	385,861	224,353	(161,508)
Other sources	304,263	304,263	294,617	(9,646)
Total revenues	19,820,377	19,820,377	11,851,471	(7,968,906)
EXPENDITURES				
Personnel services	3,970,071	4,070,071	3,835,844	234,227
Materials and services	17,576,192	17,476,192	8,973,770	8,502,422
Capital outlay	155,934	155,934	64,352	91,582
Total expenditures	21,702,197	21,702,197	12,873,966	8,828,231
Revenues over (under) expenditures	(1,881,820)	(1,881,820)	(1,022,495)	859,325
OTHER FINANCING SOURCES (USES)				
Transfers in	173,200	173,200	164,300	(8,900)
Transfers out	(165,080)	(165,080)	(133,488)	31,592
Total other financing sources (uses)	8,120	8,120	30,812	22,692
Net change in fund balance	(1,873,700)	(1,873,700)	(991,683)	882,017
FUND BALANCE, beginning	5,432,139	5,432,139	5,570,267	138,128
FUND BALANCE, ending	$ 3,558,439	$ 3,558,439	$ 4,578,584	$ 1,020,145

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
State sources	$ 465,037	$ 465,037	$ -	$ (465,037)
Local sources	65,000	65,000	68,403	3,403
Other sources	-	-	16,288	16,288
Total revenues	530,037	530,037	84,691	(445,346)
EXPENDITURES				
Materials and services	219,352	269,352	203,591	65,761
Capital outlay	620,037	570,037	89,966	480,071
Total expenditures	839,389	839,389	293,557	545,832
Revenues over (under) expenditures	(309,352)	(309,352)	(208,866)	100,486
OTHER FINANCING SOURCES				
Transfers in	168,000	168,000	132,993	(35,007)
Net change in fund balance	(141,352)	(141,352)	(75,873)	65,479
FUND BALANCE, beginning	141,352	141,352	203,384	62,032
FUND BALANCE, ending	$ -	$ -	$ 127,511	$ 127,511

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Other sources	$ 858,870	$ 858,870	$ 817,083	$ (41,787)
EXPENDITURES				
Debt service	789,422	789,422	789,422	-
Revenues over (under) expenditures	69,448	69,448	27,661	(41,787)
OTHER FINANCING SOURCES (USES)				
Transfers out	(68,000)	(68,000)	(32,993)	35,007
Net change in fund balance	1,448	1,448	(5,332)	(6,780)
FUND BALANCE, beginning	1,238,804	1,238,804	1,204,369	(34,435)
FUND BALANCE, ending	$ 1,240,252	$ 1,240,252	$ 1,199,037	$ (41,215)

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales	$ 1,200,000	$ 1,200,000	$ 619,310	$ (580,690)
Tuition and fees	180,000	180,000	109,755	(70,245)
Other sources	23,400	23,400	23,064	(336)
Total revenues	1,403,400	1,403,400	752,129	(651,271)
EXPENDITURES				
Personnel services	369,768	369,768	319,069	50,699
Materials and services	1,039,933	1,039,933	579,576	460,357
Total expenditures	1,409,701	1,409,701	898,645	511,056
Revenues over (under) expenditures	(6,301)	(6,301)	(146,516)	(140,215)
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,000)	(20,000)	-	20,000
Net change in fund balance	(26,301)	(26,301)	(146,516)	(120,215)
FUND BALANCE, beginning	29,800	29,800	53,782	23,982
FUND BALANCE, ending	$ 3,499	$ 3,499	$ (92,734)	$ (96,233)

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales	$ 137,000	$ 137,000	$ 144,843	$ 7,843
Other sources	1,500	1,500	394	(1,106)
Total revenues	138,500	138,500	145,237	6,737
EXPENDITURES				
Personnel services	27,112	28,112	27,189	923
Materials and services	115,500	111,500	86,089	25,411
Capital Outlay	27,500	30,500	29,125	1,375
Total expenditures	170,112	170,112	142,403	27,709
Net change in fund balance	(31,612)	(31,612)	2,834	34,446
FUND BALANCE, beginning	45,600	45,600	58,619	13,019
FUND BALANCE, ending	$ 13,988	$ 13,988	$ 61,453	$ 47,465

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales	$ 1,750	$ 1,750	$ -	$ (1,750)
Private sources	16,800	16,800	11,106	(5,694)
Other sources	88,750	88,750	59,181	(29,569)
Total revenues	107,300	107,300	70,287	(37,013)
EXPENDITURES				
Personnel services	10,671	15,671	13,035	2,636
Materials and services	113,753	108,753	61,291	47,462
Total expenditures	124,424	124,424	74,326	50,098
Revenues over (under) expenditures	(17,124)	(17,124)	(4,039)	13,085
OTHER FINANCING SOURCES				
Transfers in	4,000	4,000	4,000	-
Net change in fund balance	(13,124)	(13,124)	(39)	13,085
FUND BALANCE, beginning	22,066	22,066	27,719	5,653
FUND BALANCE, ending	$ 8,942	$ 8,942	$ 27,680	$ 18,738

STATISTICAL SECTION

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

COLLEGE BONDED INDEBTEDNESS AND PROJECTED DEBT SERVICE REQUIREMENTS
For the Fiscal year Ended June 30, 2015

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 (01-01-2014)	$ 6,737,612,703
Morrow County Real Market Value (01-01-2014)	2,703,965,886
Baker County Real Market Value (01-01-2014)	1,505,749,604
Real Market Value (01-01-2014) *	$ 10,947,328,193
General Obligation Debt Capacity (1.5% of Real Market Value)	$ 164,209,923
Less: Outstanding Debt subject to limit as of June 30, 2015	(9,395,000)
Remaining Legal Debt Capacity	$ 154,814,923

** Source: Debt Management Division, State of Oregon*

Projected Debt Service Requirements

Fiscal	Pension Bonds Series 2005		Total
Year**	Principal	Interest	Debt Services
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	30,193	655,193
	$9,395,000	$3,634,181	$13,029,181

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, 2015

Summary of Overlapping Debt
(As of June 30, 2015)

Overlapping District	Real Market Valuation	Percent Overlap	Gross Property-tax Backed Debt (1)	Net Property-tax Backed Debt (2)
Baker County SD 5J (Baker)	$1,215,797,854	99.51%	$6,887,133	$6,887,133
Baker County SD 61 (Pine Eagle)	213,559,060	100.00%	7,182	7,182
City of Baker City	591,982,654	100.00%	2,018,581	2,018,581
City of Boardman	520,427,706	100.00%	4,955,850	0
City of Echo	28,453,016	100.00%	111,839	111,839
City of Haines	18,137,480	100.00%	95,259	0
City of Halfway	27,000,800	100.00%	98,557	98,557
City of Heppner	59,414,701	100.00%	2,430,544	2,430,544
City of Hermiston	986,977,008	100.00%	5,587,806	3,067,806
City of Irrigon	59,007,000	100.00%	6,045,097	3,469,179
City of Lexington	12,644,636	100.00%	152,638	152,638
City of Milton-Freewater	309,784,302	100.00%	780,817	780,817
City of Pendleton	1,069,189,780	100.00%	11,604,348	3,799,406
City of Pilot Rock	69,009,850	100.00%	205,000	205,000
City of Richland	10,686,350	100.00%	63,150	63,150
City of Stanfield	87,020,863	100.00%	1,284,073	1,284,073
City of Sumpter	36,555,470	100.00%	754,138	0
City of Ukiah	7,870,513	100.00%	732,460	732,460
City of Umatilla	223,456,707	100.00%	189,158	189,158
City of Weston	57,346,802	100.00%	111,097	111,097
East Umatilla RFPD	330,937,388	100.00%	150,000	150,000
Milton-Freewater Water Control Dist.	483,888,088	100.00%	2,570,000	2,570,000
Morrow County Health District	2,703,965,886	100.00%	1,393,546	1,393,546
Morrow County SD 1	2,199,100,893	100.00%	17,447,713	17,447,713
Morrow County SD 2 (Ione)	518,689,093	97.33%	1,868,828	1,868,828
Pilot Rock RFPD 7-401	181,537,179	100.00%	100,000	100,000
Port of Morrow	2,703,965,886	100.00%	22,333,147	16,093,147
Port of Umatilla	6,737,612,703	100.00%	625,574	625,574
Umatilla County	6,737,612,703	100.00%	14,707,050	2,152,050
Umatilla County SD 1 (Helix)	231,536,956	100.00%	5,450,000	5,450,000
Umatilla County SD 2 (Pilot Rock)	176,290,164	100.00%	5,205,000	5,205,000
Umatilla County SD 5R (Echo)	247,343,330	100.00%	3,083,107	3,083,107
Umatilla County SD 6 (Umatilla)	401,491,854	100.00%	10,372,713	10,372,713
Umatilla County SD 8 (Hermiston)	2,229,141,187	100.00%	99,834,823	99,834,823
Umatilla County SD 16R (Pendleton)	1,760,879,719	100.00%	74,481,376	74,481,376
Umatilla Co SD 29J (Athena-Weston)	419,609,523	99.91%	264,765	264,765
Umatilla County SD 61 (Stanfield)	409,861,270	100.00%	4,783,207	4,783,207
Umatilla Co USD 7 (Milton-Freewater)	841,724,289	100.00%	11,404,577	11,404,577

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

SUMMARY OF OVERLAPPING DEBT (Continued), OUTSTANDING GENERAL OBLIGATION DEBT, AND FINANCIAL INFORMATION
For the Fiscal year Ended June 30, 2015

Umatilla-Morrow ESD	13,290,864,481	82.37%	3,990,696	0
Union-Baker ESD	3,848,914,122	39.12%	1,319,025	0
West Umatilla Vector Control Dist.	3,329,619,177	100.00%	35,000	35,000
Willow Creek Park District	854,290,445	100.00%	80,000	80,000
			$325,614,874	$282,804,046

(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

Outstanding General Obligation Debt
(As of June 30, 2015)

Long Term Borrowing

Full Faith & Credit Obligation Pension Bonds	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
Series 2005	06/28/2005	06/30/2028	$10,875,000	$9,395,000

Financial Information

2014-2015:	
Real Market Valuation (1)	$10,947,328,193
Assessed Valuation (1)	$8,044,181,694
Estimated Population (Baker, Morrow and Umatilla Counties)	103,951

Debt Information (2)

Net Property-tax Backed Debt	$ 9,395,000
Net Overlapping Debt	282,804,046
Total Net Property-tax Backed Debt and Net Overlapping Debt	$ 292,199,046

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	2.67%
Per Capita Real Market Valuation	$ 105,312
Per Capita Net Property-tax Backed Debt	$ 90
Per Capita Total Net Property-tax Backed and Net Overlapping Debt	$ 2,721

(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

FUTURE DEBT PLANS AND PROPERTY VALUATION
For the Fiscal year Ended June 30, 2015

Future Debt Plans

In May 2015, the voters in Umatilla and Morrow Counties passed the College's $23,000,000 General Obligation Bond measure that was on the ballot. These 15 year bonds were sold in August 2015. No other debt is anticipated at this time.

Property Valuation
(Fiscal Year Ending June 30, 2015)

	Real Market Value			
Fiscal Year	Umatilla Co	Morrow Co.	Baker Co	Total
2015	$6,737,612,703	$2,703,965,886	$1,505,749,604	$10,947,328,193
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

	Assessed Value				Percent of
Fiscal Year	Umatilla Co.	Morrow Co	Baker Co	Total	RMV
2015	$5,003,500,611	$1,778,004,712	$1,262,676,371	$8,044,181,694	73%
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%

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

PERCENT OF TAX COLLECTION RECORDED – YEAR OF LEVY AND MAJOR TAXPAYERS
For the Fiscal year Ended June 30, 2015

Percent of Tax Collection Recorded – Year of the Levy

Collection Year	Umatilla County	Morrow County	Baker County
2014-15	97.22	98.80	95.30
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

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
(2014-2015)

Baker County

Taxpayer	**Business**	**Assessed Property Value**	**Percent of Value**
Idaho Power Company	Utility	$ 98,019,050	7.76%
Ash Grove Cement Company	Cement Processor	83,357,421	6.60%
Union Pacific Railroad Co.	Rail Transportation	45,871,708	3.63%
Northwest Pipeline Corp	Utility	28,552,612	2.26%
Pine Telephone Inc.	Utility	18,787,510	1.49%
Tesoro Logistics NW Pipeline Co	Petroleum Pipelines	14,075,300	1.12%
Centurylink	Telecommunications	12,478,900	0.99%
Marvin Wood Products Inc.	Lumber	8,729,600	0.69%
TTX Co	Railcar Pooling	7,824,700	0.62%
Verizon Communications	Telecommunications	6,181,000	0.49%
Subtotal - Ten of County's largest taxpayers		323,877,801	25.65%
All other County taxpayers		938,798,570	74.35%
Total County Taxpayers		$1,262,676,371	100.00%

Source: Baker County Assessor's Office

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

MAJOR TAXPAYERS (Continued)
For the Fiscal year Ended June 30, 2015

Major Taxpayers
(2014-2015)

Umatilla County

Taxpayer	Business		Assessed Property Value	Percent of Value
Hermiston Power LLC	Utility	$	224,000,000	4.48%
Hermiston Generating Co	Utility		139,000,000	2.78%
PacifiCorp	Utility		137,888,000	2.75%
Union Pacific Railroad Co	Rail Transportation		129,953,200	2.60%
Wal-Mart Stores East LP	Retail Sales		44,014,660	0.88%
Conagra Foods Lamb-Weston Inc.	Food Processing		34,585,423	0.69%
Northwest Pipeline Corp	Utility		32,463,930	0.65%
FPL Energy Stateline II Inc.	Utility		31,653,720	0.63%
ANR Pipeline Company	Utility		29,405,300	0.59%
Eurus Combine Hills #2	Utility		28,137,720	0.56%
Subtotal - Ten of County's largest taxpayers		$	831,101,953	16.61%
All other County taxpayers			4,172,398,658	83.39%
Total County taxpayers		$	5,003,500,611	100.00%

Source: Umatilla County Assessor's Office

Morrow County

Taxpayer	Business		Assessed Property Value	Percent of Value
Portland General Electric	Utility	$	362,317,689	20.38%
Vadata, Inc.	Data Center		257,360,390	14.47%
Avista Corporation	Utility		151,210,000	8.50%
Threemile Canyon Farms, LLC.	Agriculture		147,671,871	8.30%
Willow Creek Energy LLC	Utility		52,792,000	2.97%
Gas Transmission Northwest Corp	Utility		43,685,300	2.46%
Columbia River Processing, Inc.	Food Processing		43,260,610	2.43%
Pacific Ethanol Columbia, LLC	Fuel Production		36,011,570	2.03%
Lamb-Weston, Inc.	Food Processing		33,734,890	1.90%
Port of Morrow	Economic Development		27,337,989	1.54%
Subtotal - Ten of County's largest taxpayers		$	1,155,382,309	64.98%
All other County Taxpayers			622,622,403	35.02%
Total County taxpayers		$	1,778,004,712	100.00%

Source: Morrow County Assessor's Office

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

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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 29, 2016

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, 2015, and have issued our report thereon dated January 29, 2016.

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.

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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 29, 2016

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, 2015. 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, 2015.

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, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Direct programs:				
Student Financial Assistance Cluster:				
Supplemental Educational Opportunity Grants	84.007		$ 56,016	$ 52,350
Federal Work-Study Program	84.033		63,720	56,195
Federal Pell Grant	84.063		3,014,547	3,014,547
Federal Direct Student Loan	84.268		3,800,156	2,671,758
TRIO - Student Support Services	84.042		1,153,301	225,264
Passed through Department of Community Colleges and Workforce Development:				
Adult Education Comprehensive Services Grant	84.002	EE101101BG	132,900	132,900
Adult Education EL/Civics Grant	84.002	EE101101EG	30,132	30,132
Passed through Intermountain Education Service District:				
Carl Perkins - CTE Grant 14-15	84.048		68,817	65,702
Carl Perkins - CTE Grant 13-14	84.048		70,482	11,294
Total U.S. Department of Education				6,260,142
U.S.DEPARTMENT OF LABOR				
Direct program:				
Credentials, Acceleration, and Support for Employment	17.282	TC-22511-11-60-A	656,234	36,290
SMALL BUSINESS ADMINISTRATION				
Passed through Lane Community College:				
Small Business Development Center	59.037		36,350	31,145
U. S. DEPARTMENT OF COMMERCE - NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION:				
Passed through Lane Community College:				
State Broadband Data and Development (SBDD)	11.558	11-144	9,172	1,180
TOTAL FEDERAL FINANCIAL ASSISTANCE				$ 6,328,757

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

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, 2015.

   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 2014-15 fiscal year is as follows:

Balance - 7/1/2014	$	37,506
Loan repayments		(49)
Balance - 6/30/2015	$	37,457

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

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

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

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INDEPENDENT AUDITOR'S COMMENTS REQUIRED BY OREGON STATE REGULATIONS

January 29, 2016

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, 2015, and have issued our report thereon dated January 29, 2016.

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.