BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

Blue Mountain
Community College

TABLE OF CONTENTS

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

DISTRICT OFFICIALS
June 30, 2016

Board of Education	Address	Term Expires
Ed Taber Chair	PO Box 66 Pendleton, OR 97801	2017
Dr. Kim B. Puzey Vice-Chair	970 SE 5th Hermiston, OR 97838	2017
Chris Brown Director	72717 Bunker Hill Ln Heppner, OR 97836	2019
Eddie De La Cruz Director	PO Box 1678 Hermiston, OR 97862	2019
Susan Plass Director	704 NW 3rd Pendleton, OR 97801	2019
Robert Savage Director	2648 Main Street Baker City, OR 97814	2017
Dr. Anthony Turner Director	84822 Didion Lane Milton-Freewater, OR 97862	2017

Chief Executive Officer and President

Dr. Camille Preus

Administrative Office

2411 NW Carden Ave.
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

March 27, 2017

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, 2016, 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, 2016, 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 IV.B to the basic financial statements under the caption "Plan Changes Reflected in 2015-16 Financial Statements," an Oregon Supreme Court decision modified COLA-related benefits for certain members participating in the Oregon Public Employees Retirement System (PERS) Pension Plan. This change in projected benefits is reflected in the District's net pension liability at June 30, 2016 and resulted in an additional $5.4 million of operating expenses in the District's statement of revenues, expenses and changes in net position. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 March 27, 2017 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 March 27, 2017 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, 2016 and 2015. This discussion and analysis has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with them. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. This discussion is designed to focus on current activities, known facts, and any resulting changes.

Overview of the Financial Statements

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

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

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

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

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

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

Financial Highlights

These are the major events of the fiscal year ended June 30, 2016, with regards to the District's financial position:

- The District increased tuition 4.44%, from $90 to $94 per credit beginning Summer Term 2015. This increase is higher than the cost-of-living index increase to which the Board of Education approved tying tuition increases based on administration's recommendation for 2004-05. This practice was implemented to ensure that tuition will rise with the cost of goods and services each year, attempting to spare the student the sudden leaps that often occur in tuition after a number of years of no increases. The Board of Education approved the use of a higher rate for fiscal year 2015-16 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 2015-16, tuition and fee revenue increased by $95,670 as a result of the increases in tuition and fees despite a reduction in full-time equivalent students (FTE).

- During fiscal year 2015-16, total full-time equivalent students (FTE) as well as unduplicated headcount decreased. Total reimbursable FTE decreased by 233 or 11.09% with FTE totaling 1,869 in 2015-16 and 2,102 in 2014-15. This decrease in total FTE was seen in both early college credit enrollment from high school students as well as traditional enrollment though early college credit enrollment decreased at a higher rate than traditional enrollment. Trends across the state and nationwide continue to show a slowing down or reduction of FTE growth. Total unduplicated headcount decreased by 627 or 7.07% with headcounts of 8,243 in 2015-16 and 8,870 in 2014-15.

- FTE reimbursement from the State of Oregon increased by 80.18% from $3.71 million to $6.68 million. The increase 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 five quarters of FTE reimbursement as opposed to three quarters of FTE reimbursement reported in fiscal year ended June 30, 2015. In addition, for the 2015-17 biennium, Oregon Community Colleges received an increase in state revenues of $85 million bringing the total state funding to $550 million for the biennium. For the prior biennium (2013-15) an additional $15 million was added to year two in September 2013. As a result, the District's increase in state funding for the 2015-2016 fiscal year was lessened by the additional $15 million for the 2013-15 biennium which was wholly realized in the second year of the biennium.

  For fiscal year 2015-16, the increase in FTE reimbursement of $2.97 million contains a $1.1 million increase 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 increased by $20.7 million during the current fiscal year due primarily to the timing of the state FTE reimbursement referred to above and the net cash provided by the sale of the General Obligation Bonds in August 2015 netted with an increase in operating expenses.

- Net position may serve over time as a useful indicator of the District's financial position. The District has decreased its net position in the current fiscal year from $28.38 million to $24.4 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 were shown as a prior period adjustment in the financial statements for the year ending June 30, 2015. Information was not restated. The effects of GASB 68 and GASB 71 continue to be reflected in these financial statements and represent a change in PERS valuation from a net pension asset in the amount of $5.6 million in 2014-15, to a net pension liability of $3.3 million in 2015-16, a change of $8.9 million.

Analysis of the Statement of Net Position
As of June 30, 2016

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

	2016	2015	Increase (Decrease)
Assets			
Current assets	$ 33,393,706	$ 9,083,116	$ 24,310,590
Capital assets, net of depreciation	31,831,926	30,404,861	1,427,065
Net Pension Asset	-	5,600,106	(5,600,106)
Other non-current assets	52,124	61,852	(9,728)
Deferred Outflows	1,057,353	765,423	291,930
Total assets and deferred outflows	$ 66,335,109	$ 45,915,358	$ 20,419,751
Liabilities			
Current maturities of long-term debt	$ 1,280,000	$ 375,000	$ 905,000
Other current liabilities	1,793,789	1,201,509	592,280
Net Pension Liability	3,324,359		3,324,359
Other long-term debt	33,209,152	10,939,762	22,269,390
Total liabilities	$ 39,607,300	$ 12,516,271	$ 27,091,029
Deferred Inflows	$ 2,325,269	$ 5,017,443	$ (2,692,174)
Net Position			
Net investment in capital assets	$ 30,443,869	$ 30,404,861	$ 39,008
Restricted for debt service	125,898		125,898
Unrestricted	(6,167,227)	(2,023,217)	(4,144,010)
Total net position	24,402,540	28,381,644	(3,979,104)
Total Liabilities and Net Position	$ 66,335,109	$ 45,915,358	$ 20,419,751

At June 30, 2016, the District's assets were approximately $66.33 million. The District's current assets increased $24.31 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, an increase in property taxes received and the sale of General Obligation Bonds in August 2015. The District's 2016 current assets of $33.39 million were sufficient to cover current liabilities of $3.07 million. This represents a current ratio of 10.86 compared to the current ratio in 2015 of 5.76. Receivables consist of taxes, student accounts, intergovernmental, and various operating receivables.

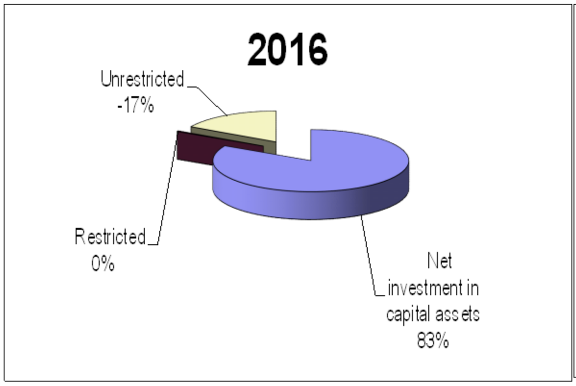
The District's investment in capital assets is $31.83 million, net of accumulated depreciation. This is an increase in net capital assets of $1,427,065 from fiscal year 2014-15, indicating that new acquisitions and improvements were higher than the increase in accumulated depreciation.

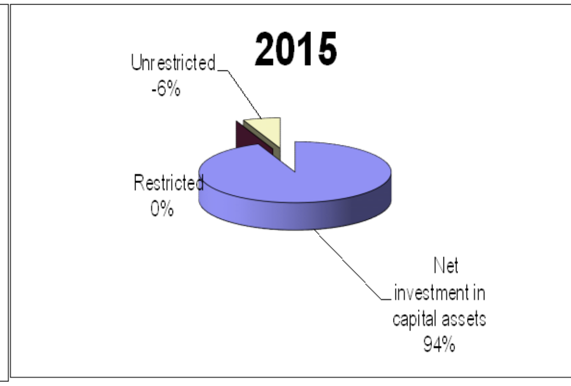
Other non-current assets represent the prepayment of the District's unfunded actuarial liability for other postemployment benefits (OPEB) in excess of the annual required contributions.

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, as well as the issuance of general obligation bonds in August 2015.

Deferred Inflows as of June 30, 2016 was 2.3 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, an increase of $39,008. Unrestricted net position consists of amounts for the continuing operation of the District. The unrestricted net position decreased by $4.14 million in 2015-16 in large part due to a change in GASB 68 PERS asset/liability valuation from year-to-year, offset by an increase in property taxes received as well as the 2014-15 fourth quarter State FTE reimbursement payment being received in the 2015-16 fiscal year.





Analysis of the Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

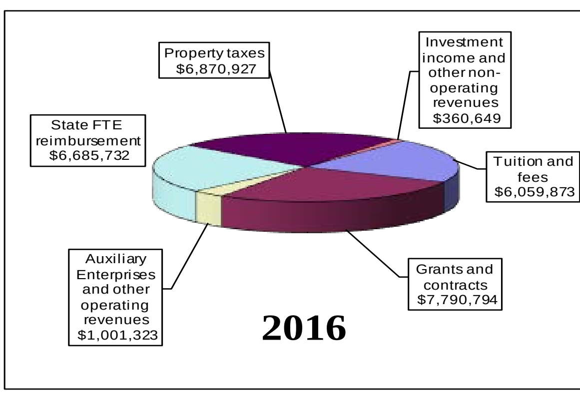
The *Statement of Revenues, Expenses, and Changes in Net Position* (page 2) presents the operating results of the District, as well as the nonoperating revenues and expenses. Annual state reimbursements and property taxes, while budgeted for operations, are considered nonoperating revenues according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

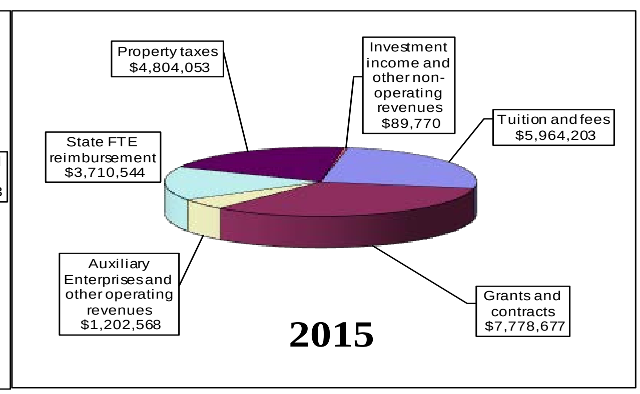
	2016	2015	Increase (Decrease)
Total operating revenues	$ 14,851,990	$ 14,945,448	$ (93,458)
Total operating expenses	31,220,228	22,013,906	9,206,322
Operating loss	(16,368,238)	(7,068,458)	(9,299,780)
Nonoperating revenues, net	12,208,320	8,070,011	4,138,309
Capital Contributions	180,814	49,499	131,315
Total increase (decrease) in net position	(3,979,104)	1,051,052	(5,030,156)
Net position, beginning of year	28,381,644	41,134,846	(12,753,202)
Prior period adjustment	-	(13,804,254)	13,804,254
Net position, end of year	**$ 24,402,540**	**$ 28,381,644**	**$ (3,979,104)**

Revenues:

The most significant sources of operating revenue for the District are tuition and fees, student financial aid grants, grants and contracts from Federal, State, and local sources, and auxiliary enterprises. Tuition and fees include all amounts paid for educational purposes and totaled $6.05 million, net of scholarship allowances. Tuition and fees increased from fiscal year 2014-15 by $95,670. Tuition rates increased moderately between years with a $4 per credit increase implemented summer term. Transcriptions fees for Early College Credit courses also increased from $10 per credit to $31 per credit as a result of discontinued state support for the Eastern Promise program. In addition, an Enrollment Fee was implemented as well as a Mechatronics Lab Course Fee and an Unmanned Aerial Vehicle Lab Course Fee. The Admission Fee was removed, along with the Official Transcript Rush Fee, the Replacement Diploma/Certificate Fee, The Student ID Replacement Fee and the Student Locker Rental Fee. The remainder of the fee schedule was consistent with fiscal year 2014-15. With these increases in tuition & fees, total Tuition & Fee Revenue increased despite a decrease in student enrollment. Federal financial aid grants totaled approximately $2.88 million. This is a decrease of $237,452 from fiscal year 2014-15 as a result of a decrease in Federal Pell Grants and Supplemental Education Opportunity Grants (SEOG), offset by a slight increase in Federal Work Study dollars disbursed. Revenue from federal, state, and local grants and contracts was approximately $4.91 million. This is an increase of $249,569 from fiscal year 2014-15 as a result of increased State initiated grants and contracts. Auxiliary enterprises consist of operations that furnish goods or services to students, faculty, staff or the general public and charge a fee directly related to the cost of these goods or services. They consist of the bookstore, continuing education, and student union operations and are intended to be self-supporting. Auxiliary enterprises revenue amounted to $548,093 for the year. This is a decrease of $204,036 from fiscal year 2014-15 as a result of decreased student enrollments as well as a change in course materials for many classes. A move to open education resources for course materials saves students money but as a result decreases revenues in the bookstore.

Approximately $6.87 million in non-operating revenues were received from property tax levies, an increase of $2.06 million from fiscal year 2014-15. Property taxes needed to support the general operations of the District increased by $303,779 and property taxes needed to service the bond issued debt increased by $1.76 million due to the 2015 General Obligation bonds issued in fiscal year 2015-16. The second largest non-operating revenue source for fiscal year 2015-16 is from the State of Oregon in the form of FTE reimbursement. The District received $6.68 million in FTE reimbursement this fiscal year. This represents an increase of $2.97 million from the prior year as a result of receiving the fiscal year 2014-15 fourth quarter payment in the current fiscal year (Three quarterly payments received in 2014-15 versus five received in 2015-16). Investment income increased by $139,564 in the current fiscal year. This increase is a result of an increase in cash due to the sale of general obligation bonds. Therefore, more interest income was realized as more cash is held in the Local Government Investment Pool. The following graphs show the allocation of revenues for the District:

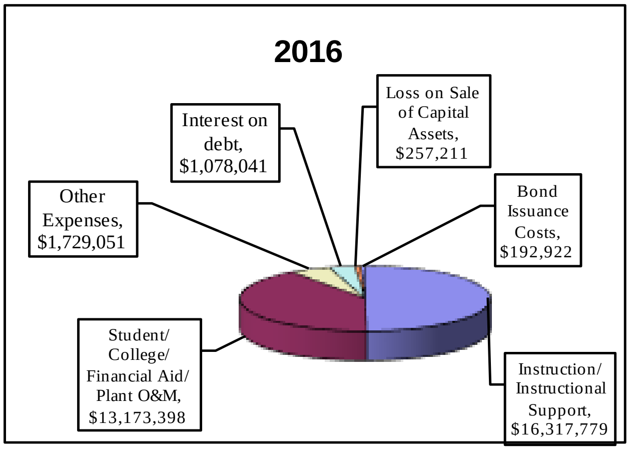


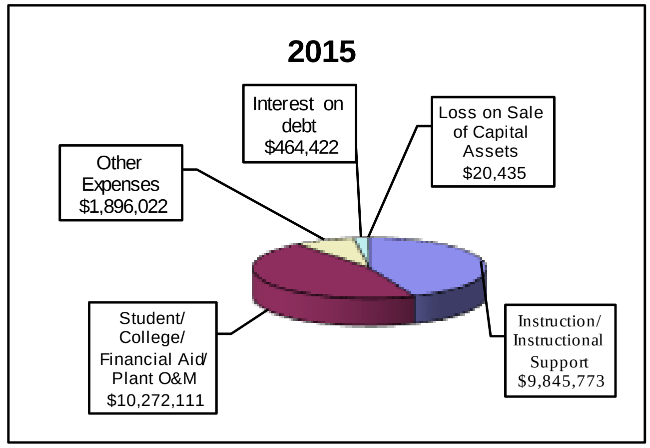


Expenses:

Operating expenses totaling $31.22 million include salaries and benefits, materials and services, repairs and maintenance, utilities, student financial assistance, and depreciation. Instruction and instructional support represent the largest percentage of total expenses for fiscal year 2015-16 at $16.31 million or 50% of total expenses. Support services, including student services and student financial aid, college support, community services, and plant operations and maintenance, represent $13.17 million or 40% of total expenses. Other expenses, including auxiliary enterprises, depreciation, and facilities acquisition & construction, represent $1.72 million or 5% of total expenses. Interest on debt represents $1.07 million or 3% and loss on sale of capital assets and bond issuance costs combined represent $450,133 or 2% of total expenses.

There were three non-operating expenses in fiscal year 2015-16. There was interest on debt related to capital asset acquisition and construction and the prepayment of the PERS unfunded actuarial liability which are non-operating expenses. There was also a loss on sale of capital assets. Lastly there were bond issuance costs for the General Obligation bonds sold in August 2015. Total interest expense during fiscal year 2015-16 was $1,078,041 which represents 3% of total expenses. This Interest of $1,078,041 was on the limited tax pension obligation bonds as well as the general obligation bonds. The following graph shows the allocation of expenses for the District:





Net Position:

Net position decreased by $3.97 million during fiscal year 2015-16. This is in large part due to a change in GASB 68 PERS asset/liability valuation from year-to-year, offset by an increase in property taxes received as well as the 2014-15 fourth quarter State FTE reimbursement payment being received in the 2015-16 fiscal year.

Analysis of the Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

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.

	2016	2015	Increase (Decrease)
Cash Provided By (Used In):			
Operating Activities	$ (13,421,104)	$ (9,940,868)	$ (3,480,236)
Noncapital Financing Activities	10,979,155	7,798,094	3,181,061
Capital Financing Activities	22,981,454	(82,385)	23,063,839
Investing Activities	179,835	40,271	139,564
Net increase (decrease) in cash	20,719,340	(2,184,888)	22,904,228
Cash – Beginning of year	6,081,595	8,266,483	(2,184,888)
Cash – End of year	**$ 26,800,935**	**$ 6,081,595**	**$ 20,719,340**

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

State FTE reimbursement and property taxes are the primary sources of non-capital financing activities. Accounting principles generally accepted in the United States of America (GAAP) require that we reflect these sources of revenue as non-operating even though the District's budget depends on these revenues to continue the current level of operations. Cash flow from State reimbursements increased by approximately 80% from fiscal year 2014-15, due to the deferred fourth quarter reimbursement and increase in state funding discussed under "Financial Highlights".

Net cash flows from capital financing activities increased due to an increase in capital grants received, property taxes levied for capital debt, and general obligation bonds sold during the 2015-2016 fiscal year offset by an increase in outflows for acquisition of capital assets during fiscal year 2015-16 along with an increase in principal, interest and bond issuance costs paid on the general obligation bonds.

Cash flows from investing activities include earnings on investments of $179,835.

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 2015-16, budget adjustments between expenditure categories were approved by the Board of Education to accommodate increased Personnel Services in the Agency Fund; increased Materials & Services purchases in the Building Fund; and increased Capital Outlay in the Special Revenue 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, 2016, amounts to $31.83 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.

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 13).

Long-Term Debt

At the end of the 2015-16 fiscal year, the District had total debt outstanding of $31,379,733. Of this amount, $31,120,000 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 $259,733 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 $178,459,189, which is significantly higher than the District's outstanding general obligation debt. The District's outstanding debt is about 17.44% 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 14-15) and the Statistical Section (page 37-42).

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 received an increase in state funding for the 2013-15 biennium and another increase in the 2015-17 biennium. These increases in state funding have been neutralized by decreasing student tuition and fees revenue resulting from declining student enrollment as well as external cost drivers from PERS, Federal and State reporting requirements and new requirements related to payroll costs such as paid sick leave, Affordable Care Act, and others. 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 responsive and high-quality, innovative educational programs and services that promote personal and professional growth to strengthen our communities in Northeastern Oregon.

For the 2015-17 biennium, Oregon Community Colleges received a total increase in state revenues of $85 million bringing the total state funding to $550 million for the biennium. As a result, the District saw an increase in state funding for the 2015-16 fiscal year.

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

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 2015-17 biennium, tuition rate increases are not as significant as they would otherwise have been, 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 2015-16 fiscal year, tuition rates were increased $4 per credit from $90 to $94. An additional $2 per credit increase will be made to tuition beginning summer 2016. 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 2015-16, the District experienced a decrease in total Full-Time Equivalent students (FTE). The District had 2,188 total FTE in 2015-16, which was down 279 FTE (11.34%) from 2014-15. The District's reimbursable FTE decreased by 233 FTE (11.09%) during the fiscal year. This decrease in FTE will result in a decrease in funds distributed through the State funding formula because the State average showed an FTE decrease of 7.04% 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 began in April 2016 and the contract was finalized in June 2016. This contract is effective through June 2019.

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, 2013, and again in July 2015. 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 2015-16, a portion of these reserve funds were transferred back to the General Fund to help finance these rate increases and this transfer will continue in 2016-17. The District's PERS and OPSRP rates increased to 11.04% and 5.49% respectively for the 2015-2017 biennium. Preliminary estimates show continued increases in the 2017-2019 biennium 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 2015-16 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 worked at stabilizing itself financially in order to weather swings in both enrollment and state funding. 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, 2016, that includes a $2.00 per credit hour tuition increase beginning summer term 2016. This 1.9% increase is higher than the Cost-of-Living Index increase for 2015 of .7% which has been an index used in prior years to set the tuition rate, but slightly less than the 2016 index rate of 2.1%. The justification for using a higher rate is to offset a portion of the 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:

Blue Mountain Community College District
For the Fiscal Year Ended June 30, 2016

		2016		2015
Current Assets	$	61,678	$	6,285
Non-Current Assets		3,112,593		3,321,768
Total Assets	$	3,174,271	$	3,328,053
Current Liabilities	$	98,126	$	87,292
Restricted Net Position		2,899,242		3,076,698
Unrestricted Net Position		176,903		164,063
Total Liabilities and Net Position	$	3,174,271	$	3,328,053
Operating Revenues	$	355,652	$	237,443
Operating Expenses		408,050		340,084
Operating Loss		(52,398)		(102,641)
Non-Operating Revenues (Expenses)		(112,218)		24,191
Increase in Net Position		(164,616)		(78,450)
Net Position, Beginning of Year		3,240,761		3,319,211
Net Position, End of Year	$	3,076,145	$	3,240,761

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, 2016

	Primary Government	Component Unit
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 26,794,455	$ 252
Restricted cash and cash equivalents	6,480	-
Receivables:		
Taxes	347,134	-
Intergovernmental	5,270,817	-
Student accounts	259,228	-
Other accounts	194,074	55,581
Due from component unit	95,468	-
Prepayments	197,964	-
Inventories	228,086	-
Contracts receivable, current portion	-	5,845
Total current assets	33,393,706	61,678
NONCURRENT ASSETS		
Other postemployment benefits obligation	52,124	-
Investments	-	707,291
Beneficial interest in assets held by The Oregon Community Foundation	-	2,366,001
Contracts receivable, less current portion	-	36,560
Capital assets, non-depreciable	4,727,862	-
Capital assets, depreciable - net of accumulated depreciation	27,104,064	2,741
Total noncurrent assets	31,884,050	3,112,593
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS	1,057,353	-
Total assets and deferred outflows	66,335,109	3,174,271
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	904,433	2,658
Payroll liabilities	472,760	-
Accrued interest payable	33,568	-
Unearned revenues	113,502	-
Compensated absences	259,733	-
Due to primary government	-	95,468
Due to others	9,793	-
Current maturities of long-term debt	1,280,000	-
Total current liabilities	3,073,789	98,126
NONCURRENT LIABILITIES		
Bonds payable, net of current maturities	29,840,000	-
Bonds payable premium	1,757,666	-
Net pension liability	3,324,359	-
Pension transition liability	1,611,486	-
Total noncurrent liabilities	36,533,511	-
Total liabilities	39,607,300	98,126
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS	2,325,269	-
NET POSITION		
Net investment in capital assets	30,443,869	-
Restricted:		
Temporary endowment and scholarships	-	1,816,422
Permanent endowment	-	1,082,820
Restricted for debt service	125,898	
Unrestricted	(6,167,227)	176,903
Total net position	$ 24,402,540	$ 3,076,145

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, 2016

	Primary Government	Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of $481,821	$ 6,059,873	$ -
Federal student financial aid grants	2,880,465	-
Federal, state and local grants and contracts	4,910,329	-
Auxiliary enterprises	548,093	-
Foundation contributions	-	340,383
Other operating revenues	453,230	15,269
Total operating revenues	14,851,990	355,652
OPERATING EXPENSES		
Educational and general:		
Instruction	10,776,102	-
Instructional support	5,541,677	-
Other support services:		
Student services	3,595,417	-
Community services	21,170	-
College support services	4,272,968	-
Plant operations and maintenance	1,842,874	-
Student financial aid	3,440,969	-
Facilities acquisition and construction	41,971	-
Auxiliary enterprises	815,776	-
Foundation programs	-	407,172
Depreciation	871,304	878
Total operating expenses	31,220,228	408,050
Operating loss	(16,368,238)	(52,398)
NONOPERATING REVENUES (EXPENSES)		
State community college support	6,685,732	-
Property taxes	6,870,927	-
Investment income (loss)	179,835	(112,218)
Loss on disposal of capital assets	(257,211)	-
Interest expense	(1,078,041)	-
Bond issuance costs	(192,922)	-
Total nonoperating revenues (expenses)	12,208,320	(112,218)
Income (loss) before contributions	(4,159,918)	(164,616)
CAPITAL CONTRIBUTIONS	180,814	-
Change in net position	(3,979,104)	(164,616)
NET POSITION, beginning of year	28,381,644	3,240,761
NET POSITION, end of year	$ 24,402,540	$ 3,076,145

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, 2016

	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$ 6,053,282
Receipts from federal student financial aid grants and loans	2,309,444
Receipts from federal, state and local grants and contracts	4,202,619
Receipts from auxiliary enterprises sales	558,660
Other cash receipts	327,810
Payments to employees for services	(16,720,999)
Payments to suppliers for goods and services	(5,074,629)
Payments for student scholarships, grants and loans	(5,077,291)
Net cash used in operating activities	(13,421,104)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from State community college support	6,685,732
Cash received from property taxes	5,117,755
Principal paid on pension bonds	(375,000)
Interest paid on pension bonds	(449,332)
Net cash provided by noncapital financing activities	10,979,155
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
General obligation bond proceeds, including premium	24,869,373
Cash received from property taxes	1,720,764
Capital grants received	180,814
Principal paid on general obligation bonds	(900,000)
Interest paid on general obligation bonds	(706,848)
General obligation bond issuance costs	(192,922)
Acquisition of capital assets	(1,989,727)
Net cash provided by capital and related financing activities	22,981,454
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	179,835
Net increase in cash and cash equivalents	20,719,340
CASH AND CASH EQUIVALENTS, beginning of year	6,081,595
CASH AND CASH EQUIVALENTS, end of year	$ 26,800,935

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, 2016

	Primary Government
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (16,368,238)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	871,304
Change in net pension asset/liability	8,924,465
Decrease-(increase) in:	
Receivables	(3,591,010)
Prepayments	(25,957)
Inventories	58,125
Deferred outflows of resources	(291,930)
Other postemployment benefits obligation	9,728
Increase-(decrease) in:	
Operating accounts payable	44,556
Payroll liabilities	(43,571)
Unearned revenues	(1,054)
Compensated absences	10,815
Pension transition liability	(308,276)
Due to others	(17,887)
Deferred inflows of resources	(2,692,174)
Total adjustments	2,947,134
Net cash used in operating activities	$ (13,421,104)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Book value of capital assets disposed	$ 257,211
Loss on disposal of capital assets	(257,211)
Interest expense	111,707
Amortization of bonds payable premium	(111,707)
Total noncash investing, capital and financing activities	$ -

The accompanying notes are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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.

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, 2016, 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, 2016. 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, 2016, the carrying amount of the District's deposits was $470,889 and the bank balance was $840,342. All deposits are held in the name of the District. Of the bank balance, $260,330 was covered by federal depository insurance. The remaining $580,012 was collateralized under ORS 295. This balance was exposed to custodial credit risk as of June 30, 2016, 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, 2016 was $92. 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 $5,510 and $878 restricted for debt service.

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, 2016 were: 72% mature within 93 days, 12% mature from 94 days to one year, and 16% 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	$ 15,431
Deposits with financial institutions	470,889
Cash and cash equivalents, in escrow	92
Local Government Investment Pool	26,314,523
Total cash and cash equivalents	$ 26,800,935

Foundation Investments and Beneficial Interest in Assets Held by The Oregon Community Foundation - The Foundation's investments of $707,291 at June 30, 2016 consist primarily of investments held in various mutual funds. The Foundation also has a $2,366,001 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, 2016, The Foundation's investments in mutual funds are reported at fair value as Level 1 investments. At June 30, 2016, 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 2015-16 included gains of $3,132 reported in unrestricted net position and losses of $115,350 reported in temporarily restricted net position. Investment return consisted of realized earnings of $34,926 and a $147,144 decrease in fair value.

B. Receivables

Receivables as of year-end are as follows:

	Taxes	Other Accounts	Student Accounts	Inter-governmental	Total
Total receivables	$ 347,134	$ 243,283	$ 1,187,594	$ 5,270,817	$ 7,048,828
Less allowance for uncollectibles	-	(49,209)	(928,366)	-	(977,575)
Net total receivables	$ 347,134	$ 194,074	$ 259,228	$ 5,270,817	$ 6,071,253

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,	
2017	$ 5,845
2018	6,268
2019	6,721
2020	7,203
2021	7,727
2022	8,641
Total	$ 42,405

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, 2016.

E. Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Capital assets not being depreciated:				
Land	$ 1,045,819	$ 60,200	$ -	$ 1,106,019
Land improvements	1,502,362	47,279	-	1,549,641
Art and historical treasures	99,200	10,300	-	109,500
Construction in progress	-	1,962,702	-	1,962,702
Total capital assets not being depreciated	2,647,381	2,080,481	-	4,727,862
Capital assets being depreciated:				
Buildings and improvements	35,748,106	-	360,570	35,387,536
Equipment and machinery	3,096,722	470,304	56,688	3,510,338
Library collections	573,286	4,795	323	577,758
Infrastructure	1,132,340	-	-	1,132,340
Total capital assets being depreciated	40,550,454	475,099	417,581	40,607,972
Less accumulated depreciation for:				
Buildings and improvements	9,720,378	595,802	115,765	10,200,415
Equipment and machinery	2,309,563	241,537	44,282	2,506,818
Library collections	514,998	14,690	323	529,365
Infrastructure	248,035	19,275	-	267,310
Total accumulated depreciation	12,792,974	871,304	160,370	13,503,908
Total capital assets being depreciated, net	27,757,480	(396,205)	257,211	27,104,064
Total capital assets, net	$ 30,404,861	$ 1,684,276	$ 257,211	$ 31,831,926

Changes in the Foundation capital assets are as follows:

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Capital assets being depreciated:				
Equipment and machinery	$ 8,776	$ -	$ -	$ 8,776
Accumulated depreciation	(5,157)	(878)	-	(6,035)
Total capital assets, net	$ 3,619	$ (878)	$ -	$ 2,741

F. Long-Term Debt

1. General Obligation Bonds

Blue Mountain Community College District, Umatilla and Morrow Counties issued General Obligation Bonds, Series 2015 dated August 11, 2015, in the amount of $23,000,000 for the constructing, acquiring, remodeling and upgrading of educational facilities. Interest rates on the Bonds range from 2.0% to 4.0%.

The District's future maturities for the general obligation bonds issue are as follows:

Year ending June 30	Principal	Interest
2017	$ 855,000	$ 819,056
2018	950,000	793,406
2019	1,055,000	755,406
2020	1,175,000	713,206
2021	1,275,000	666,206
2022-2026	7,990,000	2,636,050
2027-2030	8,800,000	911,400
Total	$ 22,100,000	$ 7,294,730

2. Limited Tax Pension Bonds

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

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

Year ending June 30	Principal	Interest
2017	$ 425,000	$ 431,921
2018	480,000	412,188
2019	535,000	389,902
2020	600,000	365,062
2021	665,000	337,204
2022-2026	4,510,000	1,131,179
2027-2028	1,805,000	117,394
Total	$ 9,020,000	$ 3,184,850

3. Changes in Long-Term Debt

Activity for the year ending June 30, 2016 is as follows:

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
Compensated absences	$ 248,918	$ 319,242	$ 308,427	$ 259,733	$ 259,733
General Obligation Bonds	-	23,000,000	900,000	22,100,000	855,000
G.O. Bonds Premium	-	1,869,373	111,707	1,757,666	-
Limited Tax Pension Bonds	9,395,000	-	375,000	9,020,000	425,000
Total	$ 9,643,918	$ 25,188,615	$ 1,695,134	$ 33,137,399	$ 1,539,733

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 on or 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 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 (COLA). The COLA is capped at 2.0 percent.

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.

Death Benefits

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

Disability Benefits

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

Benefit Changes after Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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.

Death Benefits

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

Recordkeeping

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, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were $746,926, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 10.51 percent for Tier One/Tier Two General Service Members and 5.04 percent for OPSRP Pension Program General Service Members, net of 9.25 percent of side account rate relief. An additional 6 percent contribution is required for the OPSRP Individual Account Program.

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

At June 30, 2016, the District reported a liability of $3,324,359 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The District's proportion of the net pension liability 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, 2015, the District's proportion was 0.10026437%.

For the year ended June 30, 2016, the District recognized pension expense of approximately $6.7 million. At June 30, 2016, 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
Differences between expected and actual experience	$ 310,427	$ -
Net difference between projected and actual earnings on investments	-	1,206,722
Changes in proportionate share	-	612,953
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	505,594
District's contributions subsequent to the measurement date	746,926	-
Deferred outflows/inflows at June 30, 2016	$ 1,057,353	$ 2,325,269

Contributions subsequent to the measurement date of $746,926 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Deferred inflows of resources totaling $2,325,269 less other deferred outflows of resources of $310,427 related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	$ (768,221)
2018	(768,221)
2019	(768,221)
2020	347,466
2021	(57,645)
Total	$ (2,014,842)

Actuarial Assumptions

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the 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, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2013 rolled forward to June 30, 2015
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 Two 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
Discount Rate	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs 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 (65% for males, 70% for females) of the RP-2000 static 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%)
District's proportionate share of the net pension liability (asset)	$ 11,461,156	$ 3,324,359	$ (3,532,822)

Plan Changes Reflected in 2015-16 Financial Statements

The Oregon Supreme Court decision in Moro v. State of Oregon (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The Moro decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation. For GASB 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the System. Due to the timing of the Supreme Court decision, this means the COLA change due to Moro is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. The District's proportionate share of the increase in the Total Pension Liability resulting from the Moro decision, measured as of June 30, 2015 (reflected in 2015-16 financial statements), is approximately $5.4 million.

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 $1,611,486 at June 30, 2016. 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.

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 7 retired and 40 active employees in its plan on June 30, 2016. 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	(1,856)
Adjustment to annual required contribution	7,039
Annual OPEB cost (expense)	48,191
Contributions made (Explicit benefit payments)	38,463
Increase in net OPEB obligation	9,728
Net OPEB obligation (asset) - beginning of year	(61,852)
Net OPEB obligation (asset) - end of year	$ (52,124)

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)
6/30/2016	$ 48,191	80%	$ (52,124)
6/30/2015	$ 48,301	97%	$ (61,852)
6/30/2014	$ 47,672	116%	$ (63,155)

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.

The District has been named as a defendant in litigation filed by a former employee. The plaintiff is seeking $463,225 in damages. The litigation is currently in the discovery stage and the ultimate outcome is not presently determinable.

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
2016	0.10026437%	$ 3,324,359	$ 10,315,404	32.23%	91.88%
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
2016	$ 746,926	$ 746,926	$ -	$ 10,315,404	7.24%
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.

Notes to Required Supplementary Information
Public Employees Retirement System Plan

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 property taxes, 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, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 4,816,260	$ 4,816,260	$ 5,089,568	$ 273,308
Tuition and fees	5,581,770	5,581,770	5,779,665	197,895
State sources	5,235,170	5,235,170	5,231,774	(3,396)
Private sources	50,000	50,000	50,000	-
Other sources	498,240	498,240	494,617	(3,623)
Total revenues	16,181,440	16,181,440	16,645,624	464,184
EXPENDITURES				
Personnel services	13,311,927	13,311,927	12,593,404	718,523
Materials and services	4,026,146	4,026,146	3,667,140	359,006
Capital outlay	62,000	62,000	13,488	48,512
Total expenditures	17,400,073	17,400,073	16,274,032	1,126,041
Revenues over (under) expenditures	(1,218,633)	(1,218,633)	371,592	1,590,225
OTHER FINANCING SOURCES (USES)				
Transfers in	244,790	244,790	185,673	(59,117)
Transfers out	(301,400)	(301,400)	(301,400)	-
Total other financing sources (uses)	(56,610)	(56,610)	(115,727)	(59,117)
Net change in fund balance	(1,275,243)	(1,275,243)	255,865	1,531,108
FUND BALANCE, beginning	3,010,750	3,010,750	3,094,854	84,104
FUND BALANCE, ending	$ 1,735,507	$ 1,735,507	$ 3,350,719	$ 1,615,212

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, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 136,727	$ 136,727	$ 114,174	$ (22,553)
Tuition and fees	848,205	848,205	762,029	(86,176)
State sources	4,607,149	4,607,149	4,368,016	(239,133)
Federal sources	13,416,467	13,416,467	5,522,606	(7,893,861)
Private sources	434,205	434,205	370,904	(63,301)
Other sources	357,351	357,351	327,166	(30,185)
Total revenues	19,800,104	19,800,104	11,464,895	(8,335,209)
EXPENDITURES				
Personnel services	3,958,944	3,958,944	3,760,028	198,916
Materials and services	16,432,187	16,332,187	7,658,141	8,674,046
Capital outlay	211,183	311,183	173,806	137,377
Total expenditures	20,602,314	20,602,314	11,591,975	9,010,339
Revenues over (under) expenditures	(802,210)	(802,210)	(127,080)	675,130
OTHER FINANCING SOURCES (USES)				
Transfers in	151,400	151,400	151,400	-
Transfers out	(248,790)	(248,790)	(189,673)	59,117
Total other financing sources (uses)	(97,390)	(97,390)	(38,273)	59,117
Net change in fund balance	(899,600)	(899,600)	(165,353)	734,247
FUND BALANCE, beginning	4,300,061	4,300,061	4,578,584	278,523
FUND BALANCE, ending	$ 3,400,461	$ 3,400,461	$ 4,413,231	$ 1,012,770

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, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
State sources	$ 2,112,500	$ 2,112,500	$ -	$ (2,112,500)
Local sources	-	-	27,172	27,172
Private sources	-	-	60,200	60,200
Other sources	115,000	115,000	144,691	29,691
Total revenues	2,227,500	2,227,500	232,063	(1,995,437)
EXPENDITURES				
Personnel services	104,982	104,982	1,950	103,032
Materials and services	924,670	1,124,670	949,870	174,800
Capital outlay	19,680,000	19,480,000	1,725,528	17,754,472
Total expenditures	20,709,652	20,709,652	2,677,348	18,032,304
Revenues over (under) expenditures	(18,482,152)	(18,482,152)	(2,445,285)	16,036,867
OTHER FINANCING SOURCES				
Bond proceeds	23,000,000	23,000,000	24,869,373	1,869,373
Transfers in	150,000	150,000	150,000	-
Total other financing sources	23,150,000	23,150,000	25,019,373	1,869,373
Net change in fund balance	4,667,848	4,667,848	22,574,088	17,906,240
FUND BALANCE, beginning	100,000	100,000	127,511	27,511
FUND BALANCE, ending	$ 4,767,848	$ 4,767,848	$ 22,701,599	$ 17,933,751

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, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 1,658,936	$ 1,658,936	$ 1,724,680	$ 65,744
Other sources	920,569	920,569	863,870	(56,699)
Total revenues	2,579,505	2,579,505	2,588,550	9,045
EXPENDITURES				
Debt service	2,483,269	2,483,269	2,431,180	52,089
Net change in fund balance	96,236	96,236	157,370	61,134
FUND BALANCE, beginning	1,123,192	1,123,192	1,199,037	75,845
FUND BALANCE, ending	$ 1,219,428	$ 1,219,428	$ 1,356,407	$ 136,979

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, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales	$ 1,200,000	$ 1,200,000	$ 449,592	$ (750,408)
Tuition and fees	208,000	208,000	80,503	(127,497)
Other sources	28,400	28,400	17,998	(10,402)
Total revenues	1,436,400	1,436,400	548,093	(888,307)
EXPENDITURES				
Personnel services	358,375	358,375	280,882	77,493
Materials and services	1,054,708	1,054,708	470,438	584,270
Total expenditures	1,413,083	1,413,083	751,320	661,763
Net change in fund balance	23,317	23,317	(203,227)	(226,544)
FUND BALANCE, beginning	(23,700)	(23,700)	(92,734)	(69,034)
FUND BALANCE, ending	$ (383)	$ (383)	$ (295,961)	$ (295,578)

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, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales	$ 179,000	$ 179,000	$ 144,481	$ (34,519)
Other sources	3,000	3,000	787	(2,213)
Total revenues	182,000	182,000	145,268	(36,732)
EXPENDITURES				
Personnel services	43,334	43,334	41,164	2,170
Materials and services	137,000	137,000	91,036	45,964
Capital Outlay	20,000	20,000	19,930	70
Total expenditures	200,334	200,334	152,130	48,204
Net change in fund balance	(18,334)	(18,334)	(6,862)	11,472
FUND BALANCE, beginning	36,800	36,800	61,453	24,653
FUND BALANCE, ending	$ 18,466	$ 18,466	$ 54,591	$ 36,125

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, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales	$ 1,750	$ 1,750	$ -	$ (1,750)
Private sources	19,900	19,900	10,514	(9,386)
Other sources	99,000	99,000	42,640	(56,360)
Total revenues	120,650	120,650	53,154	(67,496)
EXPENDITURES				
Personnel services	10,578	14,578	12,105	2,473
Materials and services	132,116	128,116	62,936	65,180
Total expenditures	142,694	142,694	75,041	67,653
Revenues over (under) expenditures	(22,044)	(22,044)	(21,887)	157
OTHER FINANCING SOURCES				
Transfers in	4,000	4,000	4,000	-
Net change in fund balance	(18,044)	(18,044)	(17,887)	157
FUND BALANCE, beginning	24,394	24,394	27,680	3,286
FUND BALANCE, ending	$ 6,350	$ 6,350	$ 9,793	$ 3,443

STATISTICAL SECTION

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

COLLEGE BONDED INDEBTEDNESS AND PROJECTED DEBT SERVICE REQUIREMENTS
For the Fiscal year Ended June 30, 2016

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 (01-01-2015)	$ 7,052,119,258
Morrow County Real Market Value (01-01-2015)	3,254,273,989
Baker County Real Market Value (01-01-2015)	1,590,886,045
Real Market Value (01-01-2015) *	$ 11,897,279,292
General Obligation Debt Capacity (1.5% of Real Market Value)	$ 178,459,189
Less: Outstanding Debt subject to limit as of June 30, 2016	(31,120,000)
Remaining Legal Debt Capacity	$ 147,339,189

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

Projected Debt Service Requirements

Fiscal	Pension Bonds Series 2005		GO Bonds Series 2015		Total
Year**	Principal	Interest	Principal	Interest	Debt Services
2016-2017	425,000	431,921	855,000	819,056	2,530,977
2017-2018	480,000	412,188	950,000	793,406	2,635,594
2018-2019	535,000	389,902	1,055,000	755,406	2,735,308
2019-2020	600,000	365,062	1,175,000	713,207	2,853,269
2020-2021	665,000	337,204	1,275,000	666,206	2,943,410
2021-2022	735,000	305,078	1,360,000	640,706	3,040,784
2022-2023	815,000	269,570	1,475,000	586,306	3,145,876
2023-2024	895,000	230,197	1,595,000	527,307	3,247,504
2024-2025	985,000	186,960	1,725,000	463,506	3,360,466
2025-2026	1,080,000	139,374	1,835,000	418,225	3,472,599
2026-2027	1,180,000	87,200	1,970,000	352,000	3,589,200
2027-2028	625,000	30,193	2,115,000	273,200	3,043,393
2028-2029	-	-	2,275,000	188,600	2,463,600
2029-2030	-	-	2,440,000	97,600	2,537,600
	$9,020,000	$3,184,849	$22,100,000	$7,294,731	$41,599,580

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, 2016

Summary of Overlapping Debt
(As of June 30, 2016)

Overlapping District	Real Market Valuation	Percent Overlap	Gross Property-tax Backed Debt (1)	Net Property-tax Backed Debt (2)
Baker County SD 5J (Baker)	1,285,086,935	99.53%	6,726,549	6,726,549
Baker County SD 61 (Pine Eagle)	225,397,100	100.00%	6,232	6,232
Boardman Park & Recreation Dist.	1,306,434,544	100.00%	12,170,000	12,170,000
City of Adams	20,034,462	100.00%	34,750	34,750
City of Baker City	609,356,695	100.00%	1,768,581	1,768,581
City of Boardman	482,989,834	100.00%	5,628,884	903,489
City of Echo	27,548,282	100.00%	95,476	95,476
City of Haines	20,491,020	100.00%	96,706	15,491
City of Halfway	28,048,410	100.00%	98,557	98,557
City of Heppner	62,656,738	100.00%	3,151,899	3,151,899
City of Hermiston	1,033,085,828	100.00%	28,852,806	2,925,000
City of Irrigon	64,006,509	100.00%	5,980,984	3,447,999
City of Lexington	13,250,335	100.00%	146,465	146,465
City of Milton-Freewater	333,833,490	100.00%	660,817	660,817
City of Pendleton	1,104,838,329	100.00%	22,366,895	4,254,788
City of Richland	11,110,960	100.00%	63,150	63,150
City of Stanfield	91,482,484	100.00%	1,279,505	1,279,505
City of Sumpter	37,507,110	100.00%	740,171	0
City of Ukiah	9,041,456	100.00%	724,657	724,657
City of Umatilla	226,820,465	100.00%	1,016,112	1,016,112
City of Weston	54,535,272	100.00%	111,097	111,097
East Umatilla RFPD	368,241,351	100.00%	135,000	135,000
Heppner RFPD	134,602,935	100.00%	390,000	390,000
Milton-Freewater Water Control Dist.	518,413,466	100.00%	2,450,000	2,450,000
Morrow County Health District	3,254,273,989	100.00%	1,634,068	1,634,068
Morrow County SD 1	2,761,860,544	100.00%	15,801,676	15,801,676
Morrow County SD 2 (Ione)	504,672,045	97.57%	1,697,735	1,697,735
Oregon Trail Library District	2,580,053,360	100.00%	300,000	300,000
Pilot Rock RFPD 7-401	188,445,552	100.00%	90,000	90,000
Port of Morrow	3,254,273,989	100.00%	40,370,723	34,545,723
Port of Umatilla	7,052,119,258	100.00%	757,574	757,574
Umatilla County	7,052,119,258	100.00%	13,520,640	1,405,640
Umatilla County SD 1 (Helix)	272,253,684	100.00%	5,175,000	5,175,000
Umatilla County SD 2 (Pilot Rock)	183,939,676	100.00%	5,008,214	5,008,214
Umatilla County SD 5R (Echo)	256,110,899	100.00%	2,852,903	2,852,903
Umatilla County SD 6 (Umatilla)	404,988,902	100.00%	9,612,398	9,612,398
Umatilla County SD 8 (Hermiston)	2,339,333,588	100.00%	93,536,338	93,536,338
Umatilla County SD 16R (Pendleton)	1,809,916,647	100.00%	73,067,655	73,067,655
Umatilla County SD 61 (Stanfield)	372,311,402	100.00%	4,195,041	4,195,041
Umatilla Co USD 7 (Milton-Freewater)	931,828,780	100.00%	10,737,112	10,737,112

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

SUMMARY OF OVERLAPPING DEBT (Continued), OUTSTANDING GENERAL OBLIGATION DEBT, AND FINANCIAL INFORMATION
For the Fiscal year Ended June 30, 2016

Umatilla RFPD 7-405	379,700,822	100.00%	2,000,000	2,000,000
Umatilla-Morrow ESD	14,317,118,479	83.10%	4,331,130	0
Union-Baker ESD	4,010,366,262	39.67%	1,306,089	0
			$380,689,589	$304,992,691

(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, 2016)

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	$9,020,000
General Obligation Bonds				
Series 2015	08/11/2015	06/15/2030	$23,000,000	$22,100,000

Financial Information

2015-2016:

Real Market Valuation (1)	$11,897,279,292
Assessed Valuation (1)	$8,560,768,289
Estimated Population (Baker, Morrow and Umatilla Counties)	103,726

Debt Information (2)

Net Property-tax Backed Debt	$ 31,120,000
Net Overlapping Debt	304,992,691
Total Net Property-tax Backed Debt and Net Overlapping Debt	$ 336,112,691

Bonded Debt Ratios

Net Property-tax Backed Debt to Real Market Valuation	0.26%
Net Property-tax Backed and Net Overlapping Debt to Real Market Valuation	2.83%
Per Capita Real Market Valuation	$ 114,699
Per Capita Net Property-tax Backed Debt	$ 300
Per Capita Total Net Property-tax Backed and Net Overlapping Debt	$ 2,940

(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, PROPERTY VALUATION, AND PROPERTY TAXES LEVIED & RECEIVED
For the Fiscal year Ended June 30, 2016

Future Debt Plans

The College currently has no plans to issue additional general obligation bonds at this time.

Property Valuation
(Fiscal Year Ending June 30, 2016)

Fiscal	Real Market Value			
Year	Umatilla Co	Morrow Co.	Baker Co	Total
2016	$7,052,119,258	$3,254,273,989	$1,590,886,045	$11,897,279,292
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

Fiscal	Assessed Value				Percent of
Year	Umatilla Co.	Morrow Co	Baker Co	Total	RMV
2016	$5,193,608,374	$2,047,974,373	$1,319,185,542	$8,560,768,289	72%
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%

Property Taxes Levied and Received
(Fiscal Year Ending June 30, 2016)

	Operations	Debt Service
Property Taxes Levied (rate or amount)	$0.6611 / $1,000	$ 1,688,714
Property Taxes Received (1)	$ 5,088,230	$ 1,724,680

(1) Debt Service includes a $107,836 payment in lieu of taxes from the Columbia River Enterprise Zone.

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

PERCENT OF TAX COLLECTION RECORDED – YEAR OF LEVY AND MAJOR TAXPAYERS
For the Fiscal year Ended June 30, 2016

Percent of Tax Collection Recorded – Year of the Levy

Collection Year	Umatilla County	Morrow County	Baker County
2015-16	97.03	98.70	96.50
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

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
(2015-2016)

Baker County

Taxpayer	Business	Taxes	Assessed Property Value	Percent of Value
Idaho Power Company	Utility	$ 1,102,535	$ 106,549,800	8.08%
Ash Grove Cement Company	Cement Processor	786,154	80,968,677	6.14%
Union Pacific Railroad Co.	Rail Transportation	590,356	49,486,155	3.75%
Northwest Pipeline Corp	Utility	297,544	29,172,917	2.21%
Oregon Telephone Corp.	Telecommunications	274,072	24,360,800	1.85%
CenturyLink	Telecommunications	149,193	13,222,000	1.00%
Marvin Wood Products Inc.	Lumber	138,323	9,217,339	0.70%
Tesoro Logistics NW Pipeline Co	Petroleum Pipelines	112,633	11,027,800	0.84%
Level 3 Communications LLC	Communications	93,107	9,442,000	0.71%
TTX Company	Railcar Pooling	88,913	8,606,200	0.65%
Subtotal - Ten of County's largest taxpayers		$ 3,632,830	$ 342,053,688	25.93%
All other County Taxpayers			977,131,854	74.07%
Total County taxpayers			$ 1,319,185,542	100.00%

Source: Baker County Assessor's Office

Major Taxpayers
(2015-2016)

Umatilla County

Taxpayer	Business	Taxes	Assessed Property Value	Percent of Value
Hermiston Power LLC	Utility	$ 3,276,314	$ 224,000,000	4.31%
Hermiston Generating Co	Utility	2,187,866	149,367,000	2.88%
PacifiCorp.	Utility	1,957,142	137,391,000	2.65%
Union Pacific Railroad Co	Rail Transportation	1,744,407	140,270,440	2.70%
Wal-Mart Stores East LP	Retail Sales	617,639	35,202,750	0.68%
Conagra Foods Lamb-Weston Inc.	Food Processing	504,815	34,463,295	0.66%
Snack Alliance Inc	Snack Food Processing	490,149	33,511,250	0.64%
Charter Communications	Communications	464,153	24,799,600	0.48%
CenturyLink	Telecommunications	424,152	27,380,000	0.52%
Northwest Pipeline Corp	Utility	401,901	33,056,460	0.64%
Subtotal - Ten of County's largest taxpayers		$12,068,538	$ 839,441,795	16.16%
All other County Taxpayers			4,354,166,579	83.84%
Total County taxpayers			$ 5,193,608,374	100.00%

Source: Umatilla County Assessor's Office

Morrow County

Taxpayer	Business	Taxes	Assessed Property Value	Percent of Value
Portland General Electric	Utility	$ 8,619,849	$ 606,252,914	29.60%
Avista Corporation	Utility	2,791,089	151,669,000	7.41%
Threemile Canyon Farms, LLC.	Agriculture	2,115,362	151,639,998	7.40%
Gas Transmission Northwest Corp	Utility	669,657	46,381,900	2.26%
Lamb-Weston, Inc.	Food Processing	643,438	34,889,160	1.70%
Columbia River Processing, Inc.	Food Processing	615,560	41,540,020	2.03%
Pacific Ethanol Columbia, LLC	Fuel Production	514,609	34,718,530	1.70%
Port of Morrow	Economic Development	464,282	29,592,401	1.45%
Vadata, Inc.	Data Center	398,246	529,291,410	25.84%
Union Pacific Railroad Co	Rail Transportation	313,000	20,252,290	0.99%
Subtotal - Ten of County's largest taxpayers		$ 17,145,092	$ 1,646,227,623	80.38%
All other County Taxpayers			401,746,750	19.62%
Total County taxpayers			$ 2,047,974,373	100.00%

Source: Morrow County Assessor's Office

DISCLOSURES IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE

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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*

March 27, 2017

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, 2016, and have issued our report thereon dated March 27, 2017.

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 THE UNIFORM GUIDANCE

March 27, 2017

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. 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, 2016

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		$ 50,322	$ 50,109
Federal Work-Study Program	84.033		63,720	63,935
Federal Perkins Loans	84.038			37,457
Federal Pell Grant	84.063		2,771,358	2,771,358
Federal Direct Student Loan	84.268		2,191,889	2,191,889
				5,114,748
TRIO - Student Support Services	84.042		231,600	198,331
Passed through Department of Community Colleges and Workforce Development:				
Adult Education Comprehensive Services Grant	84.002	EE1131401BG	122,940	122,940
Adult Education EL/Civics Grant	84.002	EE1131401EG	29,956	29,956
				152,896
Passed through Intermountain Education Service District:				
Carl Perkins - CTE Grant	84.048		64,200	55,145
Passed through Oregon State University:				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	181367	20,000	13,342
Total U.S. Department of Education				5,534,462
SMALL BUSINESS ADMINISTRATION				
Passed through Lane Community College:				
Small Business Development Center	59.037	16-140	35,250	34,281
TOTAL FEDERAL FINANCIAL ASSISTANCE				$ 5,568,743

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Blue Mountain Community College District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the activities of the District, it is not intended to and does not present either the financial position, changes in net position or cash flows of the District.

2. Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Direct loans (CFDA No. 84.268) are loans held by the Federal Government and are not included in loans receivable for the District. Direct loans disbursed during the year are included in the federal expenditures presented in the Schedule. Perkins Loans (CFDA No. 84.038) outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The District has elected not to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Federal Perkins Loans:

Activity of the District's Federal Perkins Loan program (CFDA # 84.038) during the 2015-16 fiscal year is as follows:

Balance - 7/1/2015	$ 37,457
Loan repayments	(2)
Balance - 6/30/2016	$ 37,455

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

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 $750,000.
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

March 27, 2017

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, 2016, and have issued our report thereon dated March 27, 2017.

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.