BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

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BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

DISTRICT OFFICIALS
June 30, 2017

Board of Education	Address	Term Expires
Chris Brown Chair	72717 Bunker Hill Ln Heppner, OR 97836	2019
Dr. Kim B. Puzey Vice-Chair	970 SE 5th Hermiston, OR 97838	2021
Susan Plass Director	704 NW 3rd Pendleton, OR 97801	2019
Robert Savage Director	2648 Main Street Baker City, OR 97814	2019
Dr. Anthony Turner Director	84822 Didion Lane Milton-Freewater 97862	2021
Heidi Van Kirk Director	71614 SW Lake Drive Pendleton, OR 97801	2021

1 Board position vacant on June 30, 2017.

Chief Executive Officer and President

Dr. Camille Preus

Administrative Office

2411 NW Carden Ave.
Pendleton, OR 97801

FINANCIAL SECTION

KENNETH KUHNS & CO.
CERTIFIED PUBLIC ACCOUNTANTS
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SALEM OREGON 97301-3594
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INDEPENDENT AUDITOR'S REPORT

December 21, 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, 2017, 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, 2017, 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 I-D to the basic financial statements under the caption "New Accounting Pronouncement," during the 2016-17 fiscal year the District adopted new accounting guidance related to accounting and financial reporting for postemployment benefits other than pensions. GASB Statement No. 75 establishes standards for measuring and recognizing other postemployment benefits (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. 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 December 21, 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 December 21, 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, 2017 and 2016. 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, 2017, with regards to the District's financial position:

- The District increased tuition 2.1%, from $94 to $96 per credit beginning Summer Term 2016. This increase is slightly higher than the cost-of-living index increase for the 12 months ended January 2016 of 1.4%, but lower than the rate ended January 2017 of 2.5%. The Board of Education approved tying tuition increases to the cost-of-living index based on administration's recommendation for 2004-05. This practice was implemented to ensure that tuition will at least 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 2016-17 to offset a portion of the anticipated cost increases in utility costs, goods, services and personnel which includes PERS.

  For fiscal year 2016-17, tuition and fee revenue decreased by $31,665 as a result of reduced enrollments.

- During fiscal year 2016-17, total full-time equivalent students (FTE) as well as unduplicated headcount decreased. Total reimbursable FTE decreased by 130 or 6.9% with FTE totaling 1,745 in 2016-17 and 1,875 in 2015-16. 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 much 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 890 or 10.8% with headcounts of 7,354 in 2016-17 and 8,244 in 2015-16.

- FTE reimbursement from the State of Oregon decreased by 39.5% from $6.68 million to $4.05 million. The decrease was caused primarily by the Oregon Legislature's deferral of its fiscal year 2016-17 fourth quarter reimbursement from April 2017 to July 2017. The deferrals were enacted in 2003 and are scheduled to occur on alternate years so that the State can balance its biennial budget. In accordance with accounting standards, the District recognizes this deferred payment when it is received. As a result, current year revenues in these financial statements reflect three quarters of FTE reimbursement as opposed to five quarters of FTE reimbursement reported in fiscal year ended June 30, 2016.

- For fiscal year 2016-17, the decrease in FTE reimbursement of $2.63 million is the result of timing differences in the recognition of revenue, and does not represent a change in FTE reimbursement rates.

- Cash and cash equivalents decreased by $12.28 million during the current fiscal year due mainly to the timing of the state FTE reimbursement referred to above as well as the commencement of capital projects and subsequent payment from the net cash provided by the sale of the General Obligation Bonds in August 2015.

- 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 $24.4 million to $21.1 million.

- One of the District's largest components of net position, $31.4 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. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions in the year ending June 30, 2017. The effects of GASB 75 were shown as a prior period adjustment in the financial statements for the year ending June 30, 2017. Information was not restated.

Analysis of the Statement of Net Position

As of June 30, 2017

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.

	2017	2016 Restated	Increase (Decrease)
Assets			
Current assets	$ 17,000,510	$ 33,393,706	$ (16,393,196)
Capital assets, net of depreciation	48,973,087	31,831,926	17,141,161
Deferred Outflows	7,021,069	1,057,353	5,963,716
Total assets and deferred outflows	$ 72,994,666	$ 66,282,985	$ 6,711,681
Liabilities			
Current maturities of long-term debt	$ 1,430,000	$ 1,280,000	$ 150,000
Other current liabilities	4,680,576	1,793,789	2,886,787
Total Pension and OPEB Liabilities	14,105,990	5,784,776	8,321,214
Other long-term debt	30,041,823	31,597,666	(1,555,843)
Total liabilities	50,258,389	40,456,231	9,802,158
Deferred Inflows	1,637,845	2,325,269	(687,424)
Net Position			
Net investment in capital assets	31,451,524	30,443,869	1,007,655
Restricted for debt service	137,274	125,898	11,376
Unrestricted	(10,490,366)	(7,068,282)	(3,422,084)
Total net position	21,098,432	23,501,485	(2,403,053)
Total Liabilities and Net Position	$ 72,994,666	$ 66,282,985	$ 6,711,681

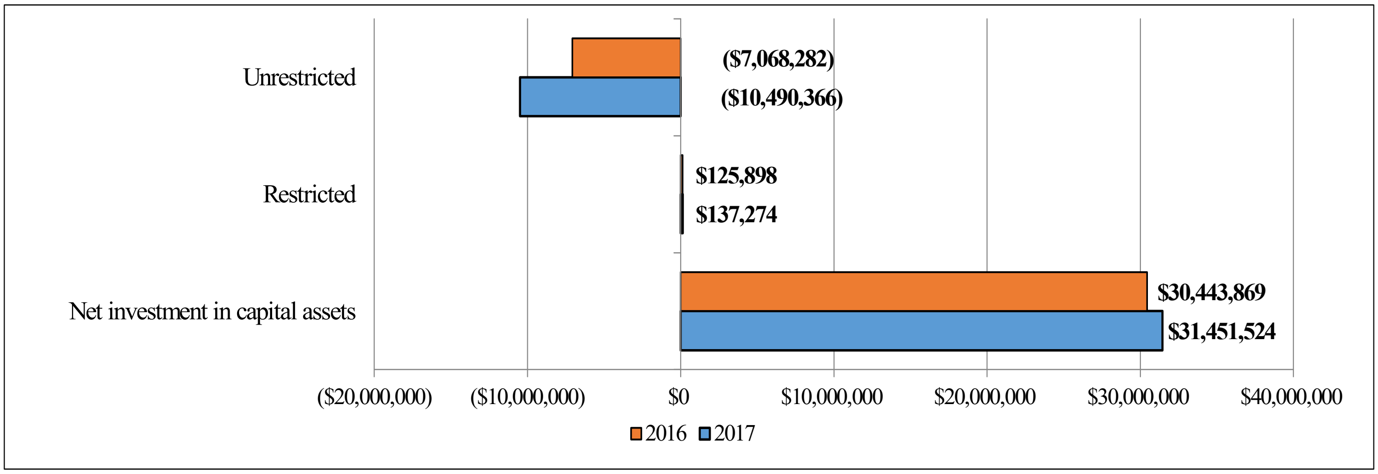
At June 30, 2017, the District's assets were approximately $72.99 million. The District's current assets decreased $16.4 million as a result of a combination of fiscal year 2016-17's fourth quarter State FTE reimbursement payment being received in the 2017-18 fiscal year, as well as capital projects commencing which resulted in a decrease of cash and cash equivalents and an increase in capital assets. The District's 2017 current assets of $17 million were sufficient to cover current liabilities of $6.11 million. This represents a current ratio of 2.78 compared to the current ratio in 2016 of 10.86. Receivables consist of taxes, student accounts, intergovernmental, and various operating receivables.

The District's investment in capital assets is $48.97 million, net of accumulated depreciation. This is an increase in net capital assets of $17.14 million from fiscal year 2015-16, indicating that new acquisitions and improvements were higher than the increase in accumulated depreciation. This is due to the completion of some of the capital projects funded by the Bond funds received in August 2015.

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. For fiscal year 2016-17, there was a large increase in Accounts Payable due to the bond financed capital projects. 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. In addition, for fiscal year 2016-17 there was an increase in the net pension liability due to the change in pension reporting.

Deferred Inflows as of June 30, 2017 was 1.6 million and is a result of pension reporting.

Within net position, the "net investment in capital assets" amount is $31.4 million, an increase of 1 million. Unrestricted net position consists of amounts for the continuing operation of the District. The unrestricted net position decreased by $3.42 million in 2016-17 in large part due to GASB 68 reporting requirements which increased the pension liability valuation, offset by an increase in pension deferred outflows, as well as the 2016-17 fourth quarter State FTE reimbursement payment being received in the 2017-18 fiscal year.



Analysis of the Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

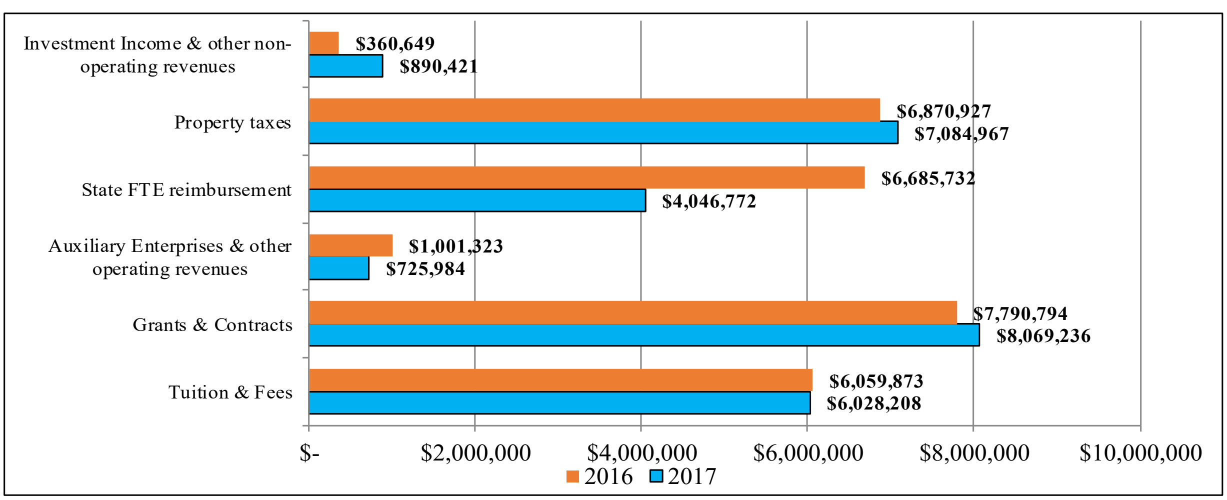
The *Statement of Revenues, Expenses, and Changes in Net Position* (page 2) presents the operating results of the District, as well as the nonoperating revenues and expenses. Annual state reimbursements and property taxes, while budgeted for operations, are considered nonoperating revenues according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

	2017	2016	Increase (Decrease)
Total operating revenues	$ 14,823,428	$ 14,851,990	$ (28,562)
Total operating expenses	28,124,469	31,220,228	(3,095,759)
Operating loss	(13,301,041)	(16,368,238)	3,067,197
Nonoperating revenues, net	10,249,107	12,208,320	(1,959,213)
Capital Contributions	648,881	180,814	468,067
Total increase in net position	(2,403,053)	(3,979,104)	1,576,051
Net position, beginning of year	23,501,485	28,381,644	(4,880,159)
Prior period adjustment	-	(901,055)	901,055
Net position, end of year	**$ 21,098,432**	**$ 23,501,485**	**$ (2,403,053)**

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 $6.02 million, net of scholarship allowances. Tuition and fees decreased from fiscal year 2015-16 by $31,665. Tuition rates increased moderately between years with a $2 per credit increase implemented summer term. In addition, the Associated Student Government Student Activity Fee was increased from $1.50 per credit, to $3.00 per credit and the Audit Course Fee was increased from 50% of regular tuition and fees, to 100% of regular tuition and fees. Lastly a Fire Science Lab Course Fee was added as a result of the addition of this new program. The remainder of the fee schedule was consistent with fiscal year 2015-16. Despite these increases in tuition & fees, total Tuition & Fee Revenue decreased as a result of a reduction in student enrollment. Federal financial aid grants totaled approximately $2.58 million. This is a decrease of $294,634 from fiscal year 2015-16 as a result of a decrease in Federal Pell Grants, Direct Loans and Federal Work Study dollars dispersed, offset by a slight increase in Supplemental Education Opportunity Grants (SEOG). Revenue from federal, state, and local grants and contracts was approximately $5.48 million. This is an increase of $573,076 from fiscal year 2015-16 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 $415,634 for the year. This is a decrease of $132,459 from fiscal year 2015-16 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.

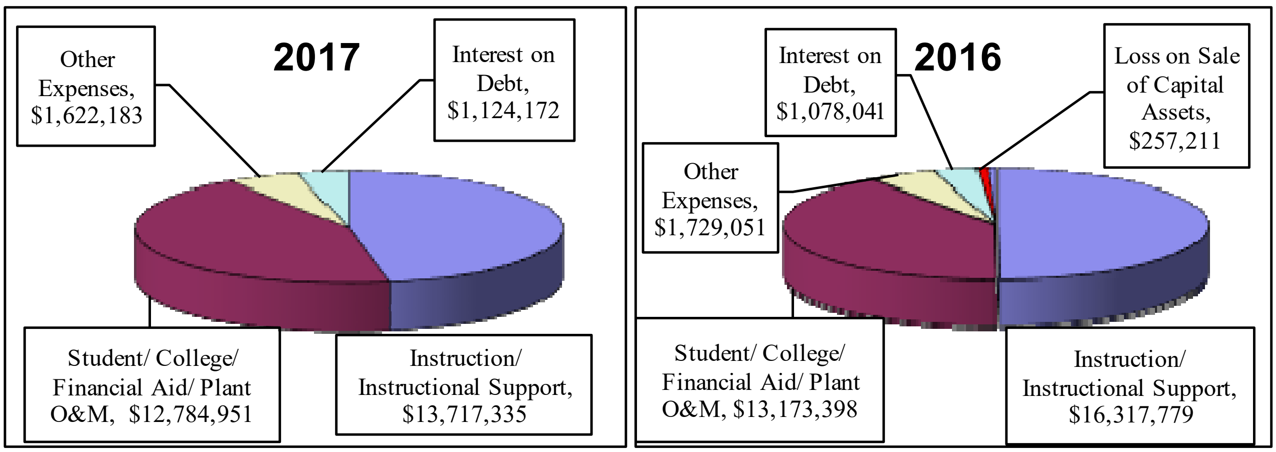
Approximately $7.08 million in non-operating revenues were received from property tax levies, an increase of $214,040 from fiscal year 2015-16. Property taxes needed to support the general operations of the District increased by $264,363 and property taxes needed to service the bond issued debt decreased by $50,323. The second largest non-operating revenue source for fiscal year 2016-17 is from the State of Oregon in the form of FTE reimbursement. The District received $4.04 million in FTE reimbursement this fiscal year. This represents a decrease of $2.63 million from the prior year as a result of receiving the fiscal year 2016-17 fourth quarter payment in the 2017-18 fiscal year (Five quarterly payments received in 2015-16 versus three received in 2016-17). Investment income increased by $61,705 in the current fiscal year. This increase is a result of an increase in cash due to the sale of general obligation bonds in August 2015. 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 $28.12 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 2016-17 at $13.71 million or 47% of total expenses. Support services, including student services and student financial aid, college support, community services, and plant operations and maintenance, represent $12.78 million or 44% of total expenses. Other expenses, including auxiliary enterprises, depreciation, and facilities acquisition & construction, represent $1.62 million or 5% of total expenses.

There was one non-operating expenses in fiscal year 2016-17 which was interest expense representing 4% of total expenses. This Interest of $1,124,172 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 $2.4 million during fiscal year 2016-17. This is in large part due to the 2016-17 fourth quarter State FTE reimbursement payment not being received until the 2017-18 year in addition to implementation of GASB 75 for Postemployment benefits which required a prior period adjustment valuation from year-to-year, offset by a decrease in operating expenses for the 2016-17 fiscal year.

Analysis of the Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

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.

	2017	2016	Increase (Decrease)
Cash Provided By (Used In):			
Operating Activities	$ (5,890,641)	$ (13,421,104)	$ 7,530,463
Noncapital Financing Activities	8,583,036	10,979,155	(2,396,119)
Capital Financing Activities	(15,218,832)	22,981,454	(38,200,286)
Investing Activities	241,540	179,835	61,705
Net increase (decrease) in cash	(12,284,897)	20,719,340	(33,004,237)
Cash – Beginning of year	26,800,935	6,081,595	20,719,340
Cash – End of year	**$ 14,516,038**	**$ 26,800,935**	**$ (12,284,897)**

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

State FTE reimbursement and property taxes are the primary sources of non-capital financing activities. Accounting principles generally accepted in the United States of America (GAAP) require that we reflect these sources of revenue as non-operating even though the District's budget depends on these revenues to continue the current level of operations. Cash flow from State reimbursements decreased by 39.5% from fiscal year 2015-16, due to the deferred fourth quarter reimbursement and increase in state funding discussed under "Financial Highlights". Major uses of funds included in non-capital financing activities were principal and interest paid on pension bonds.

Net cash flows from capital financing activities decreased due to the general obligation bonds proceeds received in the 2015-16 year, and the acquisition of capital assets from those proceeds in 2016-17.

Cash flows from investing activities include earnings on investments of $241,540.

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 2016-17, budget adjustments between expenditure categories were approved by the Board of Education to accommodate increased Personnel Services in the Agency Fund, Internal Services Fund, Building Fund and General Fund; increased Materials & Services purchases in the General Fund; increased Transfers Out in the General Fund; and increased Capital Outlay in the Special Revenue Fund and General 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, 2017, amounts to $48.97 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 was required to 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 serve as matching funds for the State Article XI-G Bonds. The Applied Animal Science Education Center project funded in part with these State dollars was completed during the 2017-18 fiscal year.

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 2016-17 fiscal year, the District had total debt outstanding of $30,202,872. Of this amount, $29,840,000 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 $362,872 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 $191,009,614, which is significantly higher than the District's outstanding general obligation debt. The District's outstanding debt is about 15.62% 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 36-41).

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 2016-17 fiscal year though the 4th quarter payment was deferred by the state until July 2017.

The fourth quarter State FTE reimbursement payment for fiscal year 2016-17 was delayed until July 2017 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 2016-17 fiscal year, tuition rates were increased $2 per credit from $94 to $96. An additional $7 per credit increase will be made to tuition beginning summer 2017. 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 2016-17, the District experienced a decrease in total Full-Time Equivalent students (FTE). The District had 2,044 total FTE in 2016-17, which was down 150 FTE (6.8%) from 2015-16. The District's reimbursable FTE decreased by 130 FTE (6.9%) during the fiscal year. This decrease in FTE will impact the funds distributed through the State funding formula for the next three years as the State uses a 3-year rolling average for funding. 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 2016-17, an additional $500,000 was set aside from the college reserves to help finance future rate increases. The District's PERS and OPSRP rates increased to 11.04% and 5.49% respectively for the 2015-2017 biennium and 14.75% and 8.17% respectively for the 2017-2019 biennium.

The District proactively manages its financial position and adopts budgetary guidelines and principles that address cost reductions and revenue enhancement. The fiscal year 2016-17 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 continues to work 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, 2017, that includes a $7.00 per credit hour tuition increase beginning summer term 2016 along with increases in the Universal Fee and the Technology Fee. The justification for these increases is to offset a portion of the anticipated cost increases in utilities and personnel to include PERS. In addition, the District managed to reduce the overall expenditure budget in the general fund by reducing budgets for Materials and Services in order to compensate for the projected increases in personnel costs.

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:

	2017	2016
Current Assets	$ 324,655	$ 61,678
Non-Current Assets	3,459,220	3,112,593
Total Assets	$ 3,783,875	$ 3,174,271
Current Liabilities	$ (13,702)	$ 98,126
Restricted Net Position	3,543,034	2,899,242
Unrestricted Net Position	254,543	176,903
Total Liabilities and Net Position	$ 3,783,875	$ 3,174,271
Operating Revenues	$ 581,425	$ 355,652
Operating Expenses	282,582	408,050
Operating Loss	298,843	(52,398)
Non-Operating Revenues (Expenses)	422,589	(112,218)
Increase in Net Position	721,432	(164,616)
Net Position, Beginning of Year	3,076,145	3,240,761
Net Position, End of Year	$ 3,797,577	$ 3,076,145

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
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celeste.insko@bluecc.edu

Basic Financial Statements

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2017

	Primary Government	Component Unit
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 14,516,038	$ 121
Cash restricted for long-term investment	-	250,568
Receivables:		
Taxes	373,591	-
Intergovernmental	1,275,782	-
Student accounts	363,141	-
Other accounts	164,959	37,402
Prepayments	105,924	-
Inventories	201,075	-
Contract receivable	-	36,564
Total current assets	17,000,510	324,655
NONCURRENT ASSETS		
Investments	-	731,682
Beneficial interest in assets held by The Oregon Community Foundation	-	2,660,475
Real property	-	65,200
Capital assets, non-depreciable	14,270,302	-
Capital assets, depreciable - net of accumulated depreciation	34,702,785	1,863
Total noncurrent assets	48,973,087	3,459,220
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	7,002,221	-
Releted to OPEB	18,848	-
Total deferred outflows of resources	7,021,069	-
Total assets and deferred outflows	72,994,666	3,783,875
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	3,602,030	2,976
Payroll liabilities	516,759	-
Accrued interest payable	32,606	-
Unearned revenues	110,312	-
Compensated absences	362,872	-
Internal balances	16,678	(16,678)
Due to others	39,319	-
Current maturities of long-term debt	1,430,000	-
Total current liabilities	6,110,576	(13,702)
NONCURRENT LIABILITIES		
Bonds payable, net of current maturities	28,410,000	-
Bonds payable premium	1,631,823	-
Net pension liability	11,686,284	-
Pension transition liability	1,552,437	-
Total OPEB liability	867,269	-
Total noncurrent liabilities	44,147,813	-
Total liabilities	50,258,389	(13,702)
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS	1,637,845	-
NET POSITION		
Net investment in capital assets	31,451,524	-
Restricted:		
Temporary endowment and scholarships	-	2,156,921
Permanent endowment	-	1,386,113
Restricted for debt service	137,274	-
Unrestricted	(10,490,366)	254,543
Total net position	$ 21,098,432	$ 3,797,577

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, 2017

	Primary Government	Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of $502,974	$ 6,028,208	$ -
Federal student financial aid grants	2,585,831	-
Federal, state and local grants and contracts	5,483,405	-
Auxiliary enterprises	415,634	-
Foundation contributions	-	567,253
Other operating revenues	310,350	14,172
Total operating revenues	14,823,428	581,425
OPERATING EXPENSES		
Educational and general:		
Instruction	8,981,452	-
Instructional support	4,735,883	-
Other support services:		
Student services	3,435,526	-
Community services	34,895	-
College support services	3,963,639	-
Plant operations and maintenance	1,744,482	-
Student financial aid	3,606,409	-
Facilities acquisition and construction	52,672	-
Auxiliary enterprises	573,600	-
Foundation programs	-	281,704
Depreciation	995,911	878
Total operating expenses	28,124,469	282,582
Operating income (loss)	(13,301,041)	298,843
NONOPERATING REVENUES (EXPENSES)		
State community college support	4,046,772	-
Property taxes	7,084,967	-
Investment income	241,540	422,589
Interest expense	(1,124,172)	-
Total nonoperating revenues (expenses)	10,249,107	422,589
Income (loss) before contributions	(3,051,934)	721,432
CAPITAL CONTRIBUTIONS	648,881	-
Change in net position	(2,403,053)	721,432
NET POSITION, beginning of year as originally reported	24,402,540	3,076,145
PRIOR PERIOD ADJUSTMENT	(901,055)	
NET POSITION, beginning of year as restated	23,501,485	3,076,145
NET POSITION, end of year	$ 21,098,432	$ 3,797,577

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, 2017

	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$ 5,921,105
Receipts from federal student financial aid grants and loans	7,336,611
Receipts from federal, state and local grants and contracts	6,560,025
Receipts from auxiliary enterprises sales	421,281
Other cash receipts	429,286
Payments to employees for services	(17,399,413)
Payments to suppliers for goods and services	(4,737,002)
Payments for student scholarships, grants and loans	(4,422,534)
Net cash used in operating activities	(5,890,641)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from State community college support	4,046,772
Cash received from property taxes	5,393,185
Principal paid on pension bonds	(425,000)
Interest paid on pension bonds	(431,921)
Net cash provided by noncapital financing activities	8,583,036
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash received from property taxes	1,665,325
Capital grants received	648,881
Principal paid on general obligation bonds	(855,000)
Interest paid on general obligation bonds	(819,056)
Acquisition of capital assets	(15,858,982)
Net cash used in capital and related financing activities	(15,218,832)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	241,540
Net decrease in cash and cash equivalents	(12,284,897)
CASH AND CASH EQUIVALENTS, beginning of year	26,800,935
CASH AND CASH EQUIVALENTS, end of year	$ 14,516,038

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, 2017

	Primary Government
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (13,301,041)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	995,911
Change in net pension liability	8,361,925
Change in total OPEB liability	18,338
Decrease-(increase) in:	
Receivables	4,015,705
Prepayments	92,040
Inventories	27,011
Deferred outflows of resources	(5,963,716)
Increase-(decrease) in:	
Operating accounts payable	419,507
Payroll liabilities	43,999
Unearned revenues	(3,190)
Compensated absences	103,139
Pension transition liability	(59,049)
Due to others	46,204
Deferred inflows of resources	(687,424)
Total adjustments	7,410,400
Net cash used in operating activities	$ (5,890,641)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Interest expense	$ 125,843
Amortization of bonds payable premium	(125,843)
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, 2017

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. New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The District implemented GASB Statement No. 75 in the year ending June 30, 2017. Additional information can be found in Note IV, C – Other Postemployment Benefits (OPEB) and Note IV, E – Prior Period Adjustment.

E. 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.

F. 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.

G. 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. Cash held temporarily by the Foundation in the long-term investment portfolio until suitable investments are identified is excluded from cash and cash equivalents in accordance with FASB ASC No. 958-205-55-7.

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.

H. 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.

I. 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.

J. 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 their acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value or functionality of the assets' lives are not capitalized, but are expensed as incurred.

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

K. 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.

L. 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.

M. 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.

N. 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.

O. 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.

P. 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).

Q. 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.

R. 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, 2017, 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, 2017. 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, 2017, the carrying amount of the District's deposits was $915,869 and the bank balance was $1,639,341. All deposits are held in the name of the District. Of the bank balance, $266,129 was covered by federal depository insurance. The remaining $1,373,212 was collateralized under ORS 295. This balance was exposed to custodial credit risk as of June 30, 2017, 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, 2017 was $1,235. These cash and cash equivalents consisted of investments in U.S. Government Securities and have original maturity dates of three months or less.

The District also has restricted cash and cash equivalents for expenses related to the District's discontinued Perkins Loan Program of $4,521 and $947 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 Local Government Investment Pool is an open-ended, no-load diversified portfolio pool. Participants' account balances in the pool are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon Short-Term Fund.

The Oregon Local Government Investment Pool is an external investment pool which is part of the Oregon Short-Term Fund. Investment policies are governed by the Oregon Revised Statues and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund does not receive credit quality ratings from nationally recognized statistical rating organizations.

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, 2017 were: 65% mature within 93 days, 20% mature from 94 days to one year, and 15% mature from one to three years.

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.

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

Cash on hand and other	$ 14,847
Deposits with financial institutions	915,869
Cash and cash equivalents, in escrow	1,235
Local Government Investment Pool	13,584,087
Total cash and cash equivalents	$ 14,516,038

Foundation Investments and Beneficial Interest in Assets Held by The Oregon Community Foundation - The Foundation's investments of $731,682 at June 30, 2017 consist primarily of investments held in various mutual funds. The Foundation also has a $2,660,475 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, 2017, The Foundation's investments in mutual funds are reported at fair value as Level 1 investments. At June 30, 2017, 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 during 2016-17 included gains of $2,724 reported in unrestricted net position and gains of $419,865 reported in temporarily restricted net position. Investment return consisted of realized earnings of $29,636 and a $392,953 increase in fair value.

B. Receivables

Receivables as of year-end are as follows:

	Taxes	Other Accounts	Student Accounts	Inter-governmental	Total
Total receivables	$ 373,591	$ 164,959	$ 1,408,688	$ 1,275,782	$ 3,223,020
Less allowance for uncollectibles	-	-	(1,045,547)	-	(1,045,547)
Net total receivables	$ 373,591	$ 164,959	$ 363,141	$ 1,275,782	$ 2,177,473

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. Monthly payments were received from July through September 2017, and the remaining contract balance was received in October 2017.

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, 2017.

E. Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
Capital assets not being depreciated:				
Land	$ 1,106,019	$ -	$ -	$ 1,106,019
Land improvements	1,549,641	8,513	-	1,558,154
Art and historical treasures	109,500	-	-	109,500
Construction in progress	1,962,702	17,202,248	7,668,321	11,496,629
Total capital assets not being depreciated	4,727,862	17,210,761	7,668,321	14,270,302
Capital assets being depreciated:				
Buildings and improvements	35,387,536	7,416,467	-	42,804,003
Equipment and machinery	3,510,338	929,457	-	4,439,795
Library collections	577,758	5,367	29,767	553,358
Infrastructure	1,132,340	243,341	-	1,375,681
Total capital assets being depreciated	40,607,972	8,594,632	29,767	49,172,837
Less accumulated depreciation for:				
Buildings and improvements	10,200,415	713,061	-	10,913,476
Equipment and machinery	2,506,818	247,266	-	2,754,084
Library collections	529,365	12,307	29,767	511,905
Infrastructure	267,310	23,277	-	290,587
Total accumulated depreciation	13,503,908	995,911	29,767	14,470,052
Total capital assets being depreciated, net	27,104,064	7,598,721	-	34,702,785
Total capital assets, net	$ 31,831,926	$ 24,809,482	$ 7,668,321	$ 48,973,087

Changes in the Foundation capital assets are as follows:

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
Capital assets being depreciated:				
Equipment	$ 8,776	$ -	$ -	$ 8,776
Accumulated depreciation	(6,035)	(878)	-	(6,913)
Total capital assets, net	$ 2,741	$ (878)	$ -	$ 1,863

Foundation real property consists of land and a 4-plex which was donated to the Foundation during the 2016-17 year. Real property is recorded at fair value at the date of donation.

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
2018	$ 950,000	$ 793,406
2019	1,055,000	755,406
2020	1,175,000	713,207
2021	1,275,000	666,206
2022	1,360,000	640,706
2023-2027	8,600,000	2,347,344
2028-2030	6,830,000	559,400
Total	$ 21,245,000	$ 6,475,675

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
2018	$ 480,000	$ 412,188
2019	535,000	389,902
2020	600,000	365,062
2021	665,000	337,204
2022	735,000	305,078
2023-2027	4,955,000	913,301
2028	625,000	30,193
Total	$ 8,595,000	$ 2,752,928

3. Changes in Long-Term Debt

Activity for the year ending June 30, 2017 is as follows:

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Due Within One Year
Compensated absences	$ 259,733	$ 397,940	$ 294,801	$ 362,872	$ 362,872
General Obligation Bonds	22,100,000	-	855,000	21,245,000	950,000
G.O. Bonds Premium	1,757,666	-	125,843	1,631,823	-
Limited Tax Pension Bonds	9,020,000	-	425,000	8,595,000	480,000
Total	$ 33,137,399	$ 397,940	$ 1,700,644	$ 31,834,695	$ 1,792,872

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/Financials/Actuarial-Financial-Information.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, 2017 were $707,842, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2017 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, 2017, the District reported a liability of $11,686,284 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.09445003%.

For the year ended June 30, 2017, the District recognized pension expense of approximately $2.4 million. At June 30, 2017, 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	$ 469,107	$ -
Changes in assumptions	3,024,070	-
Net difference between projected and actual earnings on investments	2,801,202	-
Changes in proportionate share	-	1,121,257
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	516,588
District's contributions subsequent to the measurement date	707,842	-
Deferred outflows/inflows at June 30, 2017	$ 7,002,221	$1,637,845

Contributions subsequent to the measurement date of $707,842 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other deferred outflows of resources totaling $6,294,379 less deferred inflows of resources of $1,637,845 related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	$ 687,854
2019	687,854
2020	1,739,964
2021	1,367,495
2022	173,367
Total	$ 4,656,534

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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014 rolled forw ard to June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Tw o UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Fair value of assets
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Investment Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent overall payroll grow th
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance w ith *Moro* decision; blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, w ith 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 (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality 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 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in September 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. 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	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	100.00%	
Assumed Inflation - Mean		2.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$20,401,729	$ 11,686,284	$ 4,401,698

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 $1,552,437 at June 30, 2017. The liability represents the District's allocated share of the pre-SLGRP pooled liability. The District is being assessed an employer contribution rate of 1.85 percent of covered payroll for payment of this transition liability.

C. Other Postemployment Benefits (OPEB)

Plan Description

The District maintains a single-employer defined benefit other postemployment benefits plan (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.

Additionally, the District makes the same healthcare benefit plans offered to current employees available to retirees and their dependents (regardless of eligibility for the explicit benefits described above) until such time as the retirees are eligible for Medicare. Although the District does not pay any portion of the plan premiums for retirees not eligible for the explicit benefit, there is an implicit benefit because a) the greater claims associated with retirees are reflected in the plan rates and b) those who opt to be covered by the District plans pay lesser premiums than they would had they bought coverage elsewhere. The District Board of Education authorizes the plan and may change the benefits, in conjunction with collective bargaining. The District does not issue a stand-alone report for this plan.

Employees Covered by Benefit Terms

At June 30, 2017 employees covered by the plan consisted of 162 active employees and 9 retirees.

Contributions and Funding

The plan is currently unfunded as defined by current GASB standards. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. The benefits from this program are fully paid by the District and, consequently, no contributions by employees are required. Benefits are paid when due. There are no administrative costs attributable to the plan and the plan's activities are reported in the financial statements. For the year ended June 30, 2017, changes in the postemployment healthcare benefits liability are as follows:

Total OPEB liability - July 1, 2016	$	848,931
Service cost		34,443
Interest on total OPEB liability		29,202
Change in assumptions		15,402
Experience gain		5,743
Benefit payments - explicit medical		(29,888)
Benefit payments - implicit medical		(36,564)
Total OPEB liability - June 30, 2017	$	867,269

For the year ended June 30, 2017, the District recognized OPEB expense of $65,942. As of June 30, 2017, the District reported deferred outflows of resources including $5,119 from experience gain and $13,729 from change in assumptions. Amounts reported as deferred outflows of resources will be recognized in expense as follows:

Year Ending June 30,		Amount
2018	$	2,297
2019		2,297
2020		2,297
2021		2,297
2022		2,297
All subsequent years		7,363
Total	$	18,848

Actuarial Valuation

The actuarial information is from a valuation dated June 30, 2017. The actuarial funding method used to determine the plan cost is the entry age normal cost method. Under this method, the actuarial present value of the projected benefits of each active employee included in the valuation is allocated on a level percentage of pay basis over the service of the active employee between assumed entry age (date of hire) and assumed exit age(s). The portion of this actuarial present value allocated to the valuation year is called the normal cost for that active employee. The sum of these individual normal costs is the plan's normal cost for the valuation year. The actuarial assumptions included (a) a discount rate of 3.58%, (b) an assumed inflation rate of 2.5% for all future years, (c) 3.5% salary increases per annum for all future years; and (d) healthcare cost trend rates of 8% for medical depending on provider graded down to 5%. Active employee mortality is assumed to be 60% for males and 55% for females of the retiree mortality rates.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability calculated using the discount rate of 3.58%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability - 6/30/2017	$ 923,062	$ 867,269	$ 814,381

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability calculated using the current healthcare cost trend rates as well as what the total OPEB liability would be if it were calculated using a rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Health Care Trend Rates	1% Increase
Total OPEB liability - 6/30/2017	$ 815,047	$ 867,269	$ 927,279

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 approximately $3.9 million in construction commitments as of June 30, 2017.

E. Prior Period Adjustment

Based on implementation of GASB No. 75, the District had a prior period adjustment to the beginning net position. The effect of this adjustment is as follows:

Net Position:	
Net position - beginning of year, as originally reported	$ 24,402,540
Prior period adjustment	(901,055)
Net position - beginning of year, as restated	$ 23,501,485

Required Supplementary Information

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
2017	0.09445003%	$ 11,686,284	$ 9,520,859	122.74%	80.53%
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.

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
2017	$ 707,842	$ 707,842	$ -	$ 9,520,859	7.43%
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.

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

Schedule of Total OPEB Liability
OPEB Plan

Year Ended June 30,	Total OPEB Liability (TOL)	Covered Payroll	TOL as a Percentage of Covered Payroll
6/30/2017	$ 867,269	$ 10,315,507	8.4%
6/30/2016	$ 848,931	$ 9,966,673	8.5%

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.

Public Employees Retirement System Plan

Changes in Plan Provisions

Key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which was published on September 18, 2013 and can be found at:

http://www.oregon.gov/pers/EMP/Documents/GASB/2014/GASB-Disclosure-Information.pdf

and in a letter from the plan's actuary dated May 23, 2016 which can be found at:

http://www.oregon.gov/pers/EMP/Documents/GASB/2015/Letter-From-Actuary-5-23-16.pdf

Changes of assumptions

Key changes in assumptions for the December 31, 2012 and 2013 valuations are described in the Oregon Public Employees Retirement System's 2012 Experience Study (Updated) which was published on September 18, 2013 and can be found at:

http://www.oregon.gov/PERS/Documents/Financials/Actuarial/2013/Experience-Study-Updated.pdf

Key changes in assumptions for the December 31, 2014 and 2015 valuations are described in the Oregon Public Employees Retirement System's 2014 Experience Study which was published on September 23, 2015 and can be found at:

http://www.oregon.gov/PERS/Documents/Financials/Actuarial/2015/Experience-Study.pdf

Other Postemployment Benefits (OPEB) Plan:

Changes in plan provisions and assumptions

No material changes in the census or plan provisions have occurred.

There were no significant changes in plan assumptions.

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 5,298,200	$ 5,298,200	$ 5,405,099	$ 106,899
Tuition and fees	6,273,420	6,273,420	5,668,249	(605,171)
State sources	5,040,440	5,040,440	4,818,293	(222,147)
Private sources	50,000	50,000	50,000	-
Other sources	511,730	511,730	589,895	78,165
Total revenues	17,173,790	17,173,790	16,531,536	(642,254)
EXPENDITURES				
Personnel services	13,618,930	13,710,002	12,927,261	782,741
Materials and services	4,227,816	4,322,206	3,607,636	714,570
Capital outlay	8,000	18,000	13,670	4,330
Contingency	810,642	465,180	-	465,180
Total expenditures	18,665,388	18,515,388	16,548,567	1,966,821
Revenues over (under) expenditures	(1,491,598)	(1,341,598)	(17,031)	1,324,567
OTHER FINANCING SOURCES (USES)				
Transfers in	395,690	395,690	-	(395,690)
Transfers out	(444,245)	(594,245)	(435,909)	158,336
Total other financing sources (uses)	(48,555)	(198,555)	(435,909)	(237,354)
Net change in fund balance	(1,540,153)	(1,540,153)	(452,940)	1,087,213
FUND BALANCE, beginning	3,351,540	3,351,540	3,350,719	(821)
FUND BALANCE, ending	$ 1,811,387	$ 1,811,387	$ 2,897,779	$ 1,086,392

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 174,807	$ 174,807	$ 148,996	$ (25,811)
Tuition and fees	966,853	966,853	862,933	(103,920)
State sources	4,802,747	4,802,747	4,955,756	153,009
Federal sources	11,407,837	11,407,837	4,919,009	(6,488,828)
Private sources	482,628	482,628	240,320	(242,308)
Other sources	370,592	370,592	301,622	(68,970)
Total revenues	18,205,464	18,205,464	11,428,636	(6,776,828)
EXPENDITURES				
Personnel services	4,279,155	4,279,155	4,240,265	38,890
Materials and services	15,693,851	15,693,851	7,357,646	8,336,205
Capital outlay	216,829	216,829	122,328	94,501
Total expenditures	20,189,835	20,189,835	11,720,239	8,469,596
Revenues over (under) expenditures	(1,984,371)	(1,984,371)	(291,603)	1,692,768
OTHER FINANCING SOURCES (USES)				
Transfers in	194,245	194,245	185,909	(8,336)
Transfers out	(399,690)	(399,690)	(4,000)	395,690
Total other financing sources (uses)	(205,445)	(205,445)	181,909	387,354
Net change in fund balance	(2,189,816)	(2,189,816)	(109,694)	2,080,122
FUND BALANCE, beginning	5,056,006	5,056,006	4,413,231	(642,775)
FUND BALANCE, ending	$ 2,866,190	$ 2,866,190	$ 4,303,537	$ 1,437,347

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
State sources	$ 3,788,350	$ 3,788,350	$ 465,037	$ (3,323,313)
Local sources	-	-	11,260	11,260
Other sources	-	-	321,922	321,922
Total revenues	3,788,350	3,788,350	798,219	(2,990,131)
EXPENDITURES				
Personnel services	25,493	34,493	15,909	18,584
Materials and services	3,642,000	3,633,000	1,327,957	2,305,043
Capital outlay	22,135,000	22,285,000	17,050,692	5,234,308
Total expenditures	25,802,493	25,952,493	18,394,558	7,557,935
Revenues over (under) expenditures	(22,014,143)	(22,164,143)	(17,596,339)	4,567,804
OTHER FINANCING SOURCES				
Transfers in	250,000	400,000	250,000	(150,000)
Net change in fund balance	(21,764,143)	(21,764,143)	(17,346,339)	4,417,804
FUND BALANCE, beginning	22,225,000	22,225,000	22,701,599	476,599
FUND BALANCE, ending	$ 460,857	$ 460,857	$ 5,355,260	$ 4,894,403

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 1,574,060	$ 1,574,060	$ 1,674,357	$ 100,297
Other sources	961,502	961,502	899,853	(61,649)
Total revenues	2,535,562	2,535,562	2,574,210	38,648
EXPENDITURES				
Debt service	2,530,985	2,530,985	2,530,977	8
Net change in fund balance	4,577	4,577	43,233	38,656
FUND BALANCE, beginning	1,340,000	1,340,000	1,356,407	16,407
FUND BALANCE, ending	$ 1,344,577	$ 1,344,577	$ 1,399,640	$ 55,063

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales	$ 997,000	$ 997,000	$ 368,196	$ (628,804)
Tuition and fees	208,000	208,000	26,941	(181,059)
Other sources	28,400	28,400	20,497	(7,903)
Total revenues	1,233,400	1,233,400	415,634	(817,766)
EXPENDITURES				
Personnel services	359,129	359,129	215,339	143,790
Materials and services	818,858	818,858	353,153	465,705
Total expenditures	1,177,987	1,177,987	568,492	609,495
Net change in fund balance	55,413	55,413	(152,858)	(208,271)
FUND BALANCE, beginning	(145,000)	(145,000)	(295,961)	(150,961)
FUND BALANCE, ending	$ (89,587)	$ (89,587)	$ (448,819)	$ (359,232)

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales	$ 170,000	$ 170,000	$ 144,105	$ (25,895)
Other sources	3,000	3,000	243	(2,757)
Total revenues	173,000	173,000	144,348	(28,652)
EXPENDITURES				
Personnel services	45,229	46,229	44,638	1,591
Materials and services	103,600	102,600	66,236	36,364
Capital Outlay	47,150	47,150	42,403	4,747
Total expenditures	195,979	195,979	153,277	42,702
Net change in fund balance	(22,979)	(22,979)	(8,929)	14,050
FUND BALANCE, beginning	43,000	43,000	54,591	11,591
FUND BALANCE, ending	$ 20,021	$ 20,021	$ 45,662	$ 25,641

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales	$ 2,000	$ 2,000	$ 588	$ (1,412)
Private sources	26,100	26,100	20,647	(5,453)
Other sources	118,600	118,600	75,678	(42,922)
Total revenues	146,700	146,700	96,913	(49,787)
EXPENDITURES				
Personnel services	10,578	13,578	12,140	1,438
Materials and services	142,500	139,500	59,247	80,253
Total expenditures	153,078	153,078	71,387	81,691
Revenues over (under) expenditures	(6,378)	(6,378)	25,526	31,904
OTHER FINANCING SOURCES				
Transfers in	4,000	4,000	4,000	-
Net change in fund balance	(2,378)	(2,378)	29,526	31,904
FUND BALANCE, beginning	18,324	18,324	9,793	(8,531)
FUND BALANCE, ending	$ 15,946	$ 15,946	$ 39,319	$ 23,373

STATISTICAL SECTION

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

COLLEGE BONDED INDEBTEDNESS AND PROJECTED DEBT SERVICE REQUIREMENTS
For the Fiscal year Ended June 30, 2017

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 (1.5%) 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 (01-01-2016)	$ 7,379,352,516
Morrow County Real Market Value (01-01-2016)	3,705,439,330
Baker County Real Market Value (01-01-2016)	1,649,182,430
Real Market Value (01-01-2016) *	$ 12,733,974,276
General Obligation Debt Capacity (1.5% of Real Market Value)	$ 191,009,614
Less: Outstanding Debt subject to limit as of June 30, 2017	(29,840,000)
Remaining Legal Debt Capacity	$ 161,169,614

** 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
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
	$8,595,000	$2,752,928	$21,245,000	$6,475,675	$39,068,603

NOTE: Totals may not foot due to rounding.

** Fiscal years ending June 30.

Summary of Overlapping Debt
(As of June 30, 2017)

Overlapping District	Real Market Valuation	Percent Overlap	Gross Property-tax Backed Debt (1)	Net Property-tax Backed Debt (2)
Baker County SD 5J (Baker)	1,334,034,250	99.54%	6,561,706	6,561,706
Baker County SD 61 (Pine Eagle)	229,153,850	100.00%	6,232	6,232
Boardman Park & Recreation Dist.	1,643,005,413	100.00%	12,070,000	12,070,000
City of Adams	19,083,620	100.00%	34,750	34,750
City of Baker City	622,257,150	100.00%	1,750,000	1,750,000
City of Boardman	493,945,187	100.00%	5,323,489	5,323,489
City of Echo	30,901,705	100.00%	95,476	95,476
City of Haines	21,146,470	100.00%	78,087	11,618
City of Halfway	23,485,760	100.00%	98,557	98,557
City of Heppner	62,622,067	100.00%	3,119,593	3,119,593
City of Hermiston	1,070,438,667	100.00%	50,797,806	9,580,000
City of Irrigon	64,006,004	100.00%	7,297,863	1,877,863
City of Lexington	13,269,066	100.00%	140,033	140,033
City of Milton-Freewater	309,404,381	100.00%	660,817	660,817
City of Pendleton	1,120,857,472	100.00%	21,421,208	4,218,050
City of Richland	11,124,650	100.00%	63,150	63,150
City of Stanfield	99,175,441	100.00%	1,239,147	1,239,147
City of Sumpter	39,497,590	100.00%	725,575	0
City of Ukiah	9,240,872	100.00%	716,464	716,464
City of Umatilla	291,078,292	100.00%	959,090	959,090
City of Weston	54,349,643	100.00%	111,097	111,097
East Umatilla RFPD	3,230,138,709	100.00%	120,000	120,000
Heppner RFPD	128,908,919	100.00%	372,960	372,960
Milton-Freewater Water Control Dist.	497,480,226	100.00%	2,320,000	2,320,000
Morrow County Health District	3,705,439,330	100.00%	1,578,229	1,578,229
Morrow County SD 1	3,223,844,928	100.00%	14,033,795	14,033,795
Morrow County SD 2 (Ione)	493,694,032	97.55%	1,516,890	1,516,890
Oregon Trail Library District	3,045,702,561	100.00%	300,000	300,000
Pilot Rock RFPD 7-401	187,478,682	100.00%	80,000	80,000
Port of Morrow	3,705,439,330	100.00%	39,265,357	33,870,357
Port of Umatilla	7,379,352,516	100.00%	713,574	713,574
Umatilla County	7,379,352,516	100.00%	11,862,050	262,050
Umatilla County SD 1 (Helix)	230,986,547	100.00%	4,895,000	4,895,000
Umatilla County SD 2 (Pilot Rock)	192,281,665	100.00%	4,772,143	4,772,143
Umatilla County SD 5R (Echo)	269,474,057	100.00%	6,612,946	6,612,946
Umatilla County SD 6 (Umatilla)	482,723,822	100.00%	19,298,330	19,298,330
Umatilla County SD 8 (Hermiston)	2,507,417,237	100.00%	86,673,373	86,673,373
Umatilla County SD 16R (Pendleton)	1,856,333,293	100.00%	71,561,037	71,561,037
Umatilla County SD 29J (Athena-Weston)	451,134,693	99.92%	3,686,878	3,686,878
Umatilla County SD 61 (Stanfield)	463,533,444	100.00%	3,590,927	3,590,927
Umatilla Co USD 7 (Milton-Freewater)	891,763,440	100.00%	22,569,096	22,569,096

Umatilla RFPD 7-405	453,824,863	100.00%	1,915,000	1,915,000
Umatilla-Morrow ESD	15,213,222,354	83.70%	4,195,256	0
Union-Baker ESD	4,128,048,938	39.95%	1,282,632	0
			$416,485,613	$329,379,717

(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, 2017)

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	$8,595,000
General Obligation Bonds				
Series 2015	08/11/2015	06/15/2030	$23,000,000	$21,245,000

Financial Information

2016-2017:

Real Market Valuation (1)	$12,733,974,276
Assessed Valuation (1)	$9,014,826,979
Estimated Population (Baker, Morrow and Umatilla Counties)	103,789

Debt Information (2)

Net Property-tax Backed Debt	$ 29,840,000
Net Overlapping Debt	329,379,717
Total Net Property-tax Backed Debt and Net Overlapping Debt	$ 359,219,717

Bonded Debt Ratios

Net Property-tax Backed Debt to Real Market Valuation	0.23%
Net Property-tax Backed and Net Overlapping Debt to Real Market Valuation	2.82%
Per Capita Real Market Valuation	$ 122,691
Per Capita Net Property-tax Backed Debt	$ 288
Per Capita Total Net Property-tax Backed and Net Overlapping Debt	$ 3,461

(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, 2017

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, 2017)

	Real Market Value			
Fiscal Year	Umatilla Co	Morrow Co.	Baker Co	Total
2017	$7,379,352,516	$3,705,439,330	$1,649,182,430	$12,733,974,276
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

	Assessed Value				Percent of
Fiscal Year	Umatilla Co.	Morrow Co	Baker Co	Total	RMV
2017	$5,398,822,897	$2,261,706,244	$1,354,297,838	$9,014,826,979	71%
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%

Property Taxes Levied and Received

(Fiscal Year Ending June 30, 2017)

	Operations	Debt Service
Property Taxes Levied (rate or amount)	$0.6611 / $1,000	$ 1,603,586
Property Taxes Received (1)	$ 5,403,652	$ 1,674,357

(1) Debt Service includes a $113,202 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, 2017

Percent of Tax Collection Recorded – Year of the Levy

Collection Year	Umatilla County	Morrow County	Baker County
2016-17	96.70	98.20	97.20
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

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
(2016-2017)

Baker County

Taxpayer	Business	Taxes	Assessed Property Value	Percent of Value
Idaho Power Company	Utility	$ 1,072,106	$ 103,543,100	7.64%
Ash Grove Cement Company	Cement Processor	748,271	77,080,560	5.69%
Union Pacific Railroad Co.	Rail Transportation	653,484	54,814,994	4.05%
Northwest Pipeline Corp	Utility	339,877	33,315,222	2.46%
Oregon Telephone Corp.	Telecommunications	250,407	23,185,100	1.71%
CenturyLink	Telecommunications	153,988	13,563,200	1.00%
Marvin Wood Products Inc.	Lumber	133,228	8,881,870	0.66%
Level 3 Communications LLC	Communications	115,987	11,774,000	0.87%
Tesoro Logistics NW Pipeline Co	Petroleum Pipelines	105,919	10,374,200	0.77%
TTX Company	Railcar Pooling	87,571	8,479,800	0.63%
Subtotal - Ten of County's largest taxpayers		$ 3,660,838	$ 345,012,046	25.48%
All other County Taxpayers			1,009,285,792	74.52%
Total County taxpayers			$ 1,354,297,838	100.00%

Source: Baker County Assessor's Office

Major Taxpayers
(2016-2017)

Umatilla County

Taxpayer	Business	Taxes	Assessed Property Value	Percent of Value
Hermiston Power LLC	Utility	$ 3,345,574	$ 224,000,000	4.15%
Hermiston Generating Co	Utility	2,434,772	154,472,000	2.86%
Union Pacific Railroad Co	Rail Transportation	1,948,443	154,148,640	2.86%
PacifiCorp.	Utility	1,943,217	134,025,000	2.48%
Vadata, Inc.	Data Center	1,119,420	69,310,040	1.28%
Conagra Foods Lamb-Weston Inc.	Food Processing	568,518	38,013,979	0.70%
Wal-Mart Stores East LP	Retail Sales	545,683	32,516,940	0.60%
Snack Alliance Inc.	Snack Food Processing	521,332	34,905,360	0.65%
Northwest Pipeline Corp	Utility	448,819	37,823,060	0.70%
FPL Energy Stateline II Inc.	Utility	437,763	60,301,000	1.12%
Subtotal - Ten of County's largest taxpayers		$ 13,313,541	$ 939,516,019	17.40%
All other County Taxpayers			4,459,306,878	82.60%
Total County taxpayers			$ 5,398,822,897	100.00%

Source: Umatilla County Assessor's Office

Morrow County

Taxpayer	Business	Taxes	Assessed Property Value	Percent of Value
Portland General Electric	Utility	$ 9,234,853	$ 703,695,755	31.11%
Avista Corporation	Utility	2,592,781	152,662,000	6.75%
Threemile Canyon Farms, LLC.	Agriculture	2,064,374	157,546,422	6.97%
Gas Transmission Northwest Corp	Utility	898,339	66,518,700	2.94%
Lamb-Weston, Inc.	Food Processing	776,384	45,665,280	2.02%
Columbia River Processing, Inc.	Food Processing	561,939	41,700,690	1.84%
Vadata, Inc.	Data Center	503,007	801,962,130	35.46%
Conagra Foods Packaged Foods	Food Processing	492,718	32,243,570	1.43%
Port of Morrow	Economic Development	456,400	31,407,387	1.39%
Pacific Ethanol Columbia, LLC	Fuel Production	441,588	32,633,390	1.44%
Subtotal - Ten of County's largest taxpayers		$ 18,022,383	$ 2,066,035,324	91.35%
All other County Taxpayers			195,670,920	8.65%
Total County taxpayers			$ 2,261,706,244	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*

December 21, 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, 2017, and have issued our report thereon dated December 21, 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

December 21, 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, 2017. 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, 2017.

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, 2017

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		$ 52,088	$ 52,088
Federal Work-Study Program	84.033		63,720	41,969
Federal Perkins Loans	84.038			37,455
Federal Pell Grant	84.063		2,496,113	2,496,113
Federal Direct Student Loan	84.268		1,832,365	1,832,365
				4,459,990
TRIO - Student Support Services	84.042		238,548	205,526
Passed through Department of Community Colleges and Workforce Development:				
Adult Education Comprehensive Services Grant	84.002	EE1131401BG	145,012	145,012
Adult Education EL/Civics Grant	84.002	EE1131401EG	30,199	30,199
				175,211
Passed through Intermountain Education Service District:				
Carl Perkins - CTE Grant	84.048		71,182	45,993
Total U.S. Department of Education				4,886,720
SMALL BUSINESS ADMINISTRATION				
Passed through Lane Community College:				
Small Business Development Center	59.037	16-140	31,625	31,625
Small Business Development Center	59.037	16-B-0074-140	19,000	17,302
Total Small Business Administration				48,927
TOTAL FEDERAL FINANCIAL ASSISTANCE				$ 4,935,647

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

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, 2017. 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 2016-17 fiscal year is as follows:

Balance - 7/1/2016	$ 37,455
Loan repayments	-
Balance - 6/30/2017	$ 37,455

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

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

December 21, 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, 2017, and have issued our report thereon dated December 21, 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.