BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

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BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

DISTRICT OFFICIALS
June 30, 2018

Board of Education	Address	Term Expires
Chris Brown Chair	72717 Bunker Hill Ln Heppner, OR 97836	2019
Robert Savage Director	2648 Main Street Baker City, OR 97814	2019
Heidi Van Kirk Director	71614 SW Lake Drive Pendleton, OR 97801	2021
Dr. Kim B. Puzey Director	970 SE 5th Hermiston, OR 97838	2021
Don Rice Director	79333 Prindle Loop Rd Hermiston, OR 97838	2019
Dr. Anthony Turner Director	84822 Didion Lane Milton-Freewater, OR 97862	2021
Jane Hill Director	414 N Main Pendleton, OR 97801	2019

Chief Executive Officer and President

Dr. Camille Preus

Administrative Office

2411 NW Carden Ave.
Pendleton, OR 97801

FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

February 22, 2019

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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 February 22, 2019 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 February 22, 2019 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 Education
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, 2018 and 2017. 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 (non-operating), 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, 2018, with regards to the District's financial position:

- The District increased tuition 7.3%, from $96 to $103 per credit beginning Summer Term 2017. This increase is higher than the cost-of-living index increase for the 12 months ended January 2017 of 2.5%, and higher than the rate ended January 2018 of 2.1%. 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 2017-18 to offset a portion of the anticipated cost increases in utility costs, goods, services and personnel which includes PERS.

  For fiscal year 2017-18, tuition and fee revenue increased by $834,666 even though there were reduced enrollments, as a result of tuition and fee increases.

- During fiscal year 2017-18, total full-time equivalent students (FTE) as well as unduplicated headcount decreased. Total reimbursable FTE decreased by 202 or 10% with FTE totaling 1,822 in 2017-18 and 2,024 in 2016-17. 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 122 or 1.66% with headcounts of 7,205 in 2017-18 and 7,327 in 2016-17. This reflects serving our community at a similar level but students taking less credits.

- FTE reimbursement received from the State of Oregon increased by 59.5% from $4.05 million to $6.45 million. The increase was caused primarily by the Oregon Legislature's deferral of its fiscal year 2016-17 fourth quarter reimbursement from April 2017 to July 2017. When comparing actual state funding levels between years as opposed to revenue received, state funding increased by only $117,088 or 2.25% as funding levels were $5.19 million in 2016-17 and $5.3 million in 2017-18. The deferrals were enacted in 2003 and are scheduled to occur on alternate years so that the State can balance its biennial budget. In accordance with accounting standards, the District recognizes this deferred payment when it is received. As a result, current year revenues in these financial statements reflect five quarters of FTE reimbursement as opposed to three quarters of FTE reimbursement reported in fiscal year ended June 30, 2017. In addition, for the 2017-19 biennium, Oregon Community Colleges received a total increase in state revenues of $20.26 million bringing the total state funding to $570.26 million for the biennium. As a result, the District saw an increase in state funding for the 2017-18 fiscal year of $117,088.

- For fiscal year 2017-18, the increase in FTE reimbursement of $2.40 million for BMCC contains a $1.1 million increase that is the result of timing differences in the recognition of revenue, and $117,088 as a result of new state resources as mentioned above and does not represent a change in FTE reimbursement rates.

- Cash and cash equivalents decreased by $4.63 million during the current fiscal year due to our capital projects. The completion of most capital projects and subsequent payment from the net cash provided by the sale of the General Obligation Bonds in August 2015 was the goal. There will be a closing out of these accounts over the next 2 years.

- Net position may serve over time as a useful indicator of the District's financial position. The District has increased its net position in the current fiscal year from $21.1 million to $24.67 million.

- One of the District's largest components of net position, $33.2 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.

Analysis of the Statement of Net Position

As of June 30, 2018

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 with those of fiscal year 2017, and is one measure of the financial condition of the District.

	2018	2017	Increase (Decrease)
Assets			
Current assets	$ 12,820,412	$ 17,000,510	$ (4,180,098)
Capital assets, net of depreciation	53,221,429	48,973,087	4,248,342
Deferred Outflows	4,640,666	7,021,069	(2,380,403)
Total assets and deferred outflows	$ 70,682,507	$ 72,994,666	$ (2,312,159)
Liabilities			
Current maturities of long-term debt	$ 1,590,000	$ 1,430,000	$ 160,000
Other current liabilities	1,921,424	4,680,576	$ (2,759,152)
Total Pension and OPEB Liabilities	12,741,031	14,105,990	$ (1,364,959)
Other long-term debt	28,325,980	30,041,823	(1,715,843)
Total liabilities	$ 44,578,435	$ 50,258,389	$ (5,679,954)
Deferred Inflows	$ 1,429,119	$ 1,637,845	$ (208,726)
Net Position			
Net investment in capital assets	$ 33,215,048	$ 31,451,524	$ 1,763,524
Restricted for debt service	139,687	137,274	2,413
Unrestricted	(8,679,782)	(10,490,366)	1,810,584
Total net position	24,674,953	21,098,432	3,576,521
Total Liabilities and Net Position	$ 70,682,507	$ 72,994,666	$ (2,312,159)

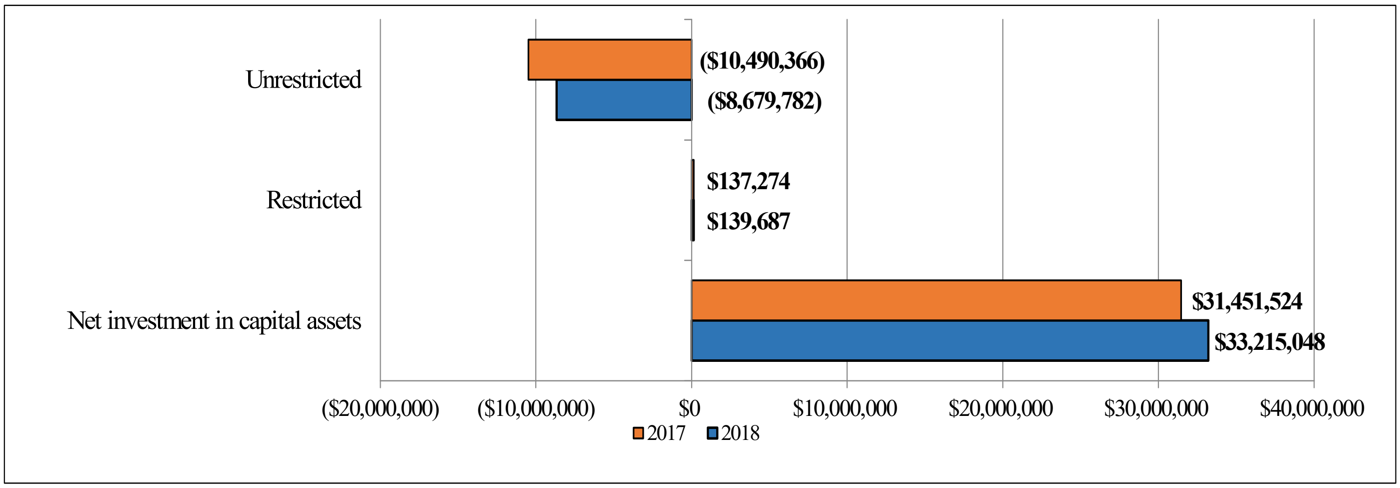
At June 30, 2018, the District's assets were approximately $70.68 million. The District's current assets decreased by $4.18 million as a result of a decrease of cash and cash equivalents due to a completion of most capital projects and subsequent payment from the net cash provided by the sale of the General Obligation Bonds in August 2015. The District's 2018 current assets of $12.82 million were sufficient to cover current liabilities of $3.51 million. This represents a current ratio of 3.65 compared to the current ratio in 2017 of 2.78. Receivables consist of taxes, student accounts, intergovernmental, and various operating receivables.

The District's investment in capital assets is $53.22 million, net of accumulated depreciation. This is an increase in net capital assets of $4.25 million from fiscal year 2016-17, indicating that new acquisitions and improvements were higher than the increase in accumulated depreciation. This is due to the completion of most 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 2017-18, there was a large decrease in Accounts Payable due to the completion of most 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 2017-18 there was a decrease in the net pension liability due to the change in pension reporting.

Deferred Inflows as of June 30, 2018 was 1.43 million and is a result of a change in pension reporting.

Within net position, the "net investment in capital assets" amount is $33.2 million, an increase of 1.76 million. Unrestricted net position consists of amounts for the continuing operation of the District. The unrestricted net position increased by $1.8 million in 2017-18 in large part due to 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, 2018

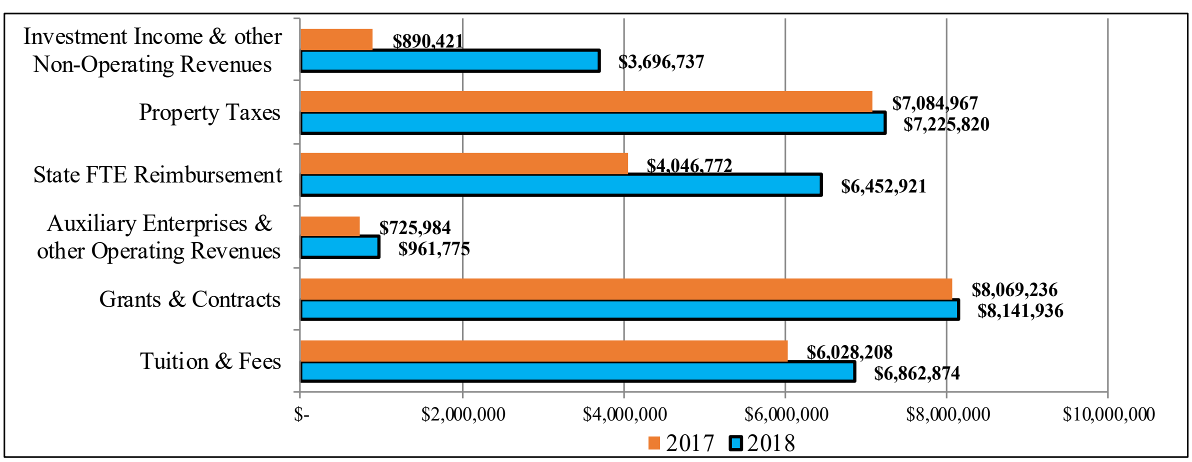
The *Statement of Revenues, Expenses, and Changes in Net Position* (page 2) presents the operating results of the District, as well as the nonoperating revenues and expenses. Annual state reimbursements and property taxes, while budgeted for operations, are considered nonoperating revenues according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

	2018	2017
Total operating revenues	$ 15,966,585	$ 14,823,428
Total operating expenses	28,502,972	28,124,469
Operating loss	(12,536,387)	(13,301,041)
Nonoperating revenues, net	12,618,302	10,249,107
Capital Contributions	3,494,606	648,881
Total increase in net position	3,576,521	(2,403,053)
Net position, beginning of year	21,098,432	23,501,485
Net position, end of year	**$ 24,674,953**	**$ 21,098,432**

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 $6.86 million, net of scholarship allowances. Tuition and fees increased from fiscal year 2016-17 by $834,666. Tuition rates increased between years with a $7 per credit increase implemented summer term 2017. In addition, the Technology Fee was increased 105% from $9 per credit to $18.50 per credit; the Universal Fee was increased from an $18.00 per term fee to a per credit fee of $8.00; the Science Lab Fee was increased 16.6% from $30.00 per lab credit to $35.00 per lab credit; a new Student Athletic Fee was instituted at $125.00 per term per athlete; a new Data Center Technician Lab Fee was instituted at $60.00 per lab course. Reductions were made on the Distance Education Fee, reducing it from $75.00 to $40.00 per Distance Education course; the Early College Credit Transcription Fee for dual credit classes was reduced from $31.00 per credit, to $20.00 per credit. The remainder of the fee schedule was consistent with fiscal year 2016-17. With these increases in tuition & fees, total Tuition & Fee Revenue increased despite reductions in enrollment. Federal financial aid grants totaled approximately $2.69 million. This is an increase of $104,730 from fiscal year 2016-17 as a result of an increase in Federal Pell Grants and Federal Work Study dollars dispersed, offset by a slight decrease in Supplemental Education Opportunity Grants (SEOG). Revenue from federal, state, and local grants and contracts was approximately $5.45 million. This is a decrease of $32,030 from fiscal year 2016-17 as a result of a change in grant and contract make-up. There were increases in Federal and Local Government Grants and Contracts and Gifts, offset by decreases in State and Private Grants. Auxiliary enterprises consist of operations that furnish goods or services to students, faculty, staff or the general public and charge a fee directly related to the cost of these goods or services. They consist of the bookstore, continuing education, and student union operations and are intended to be self-supporting. Auxiliary enterprises revenue amounted to $419,564 for the year. This is an increase of $3,930 from fiscal year 2016-17 as a result of increased workforce development and employer trainings offered through partnerships with local employers.

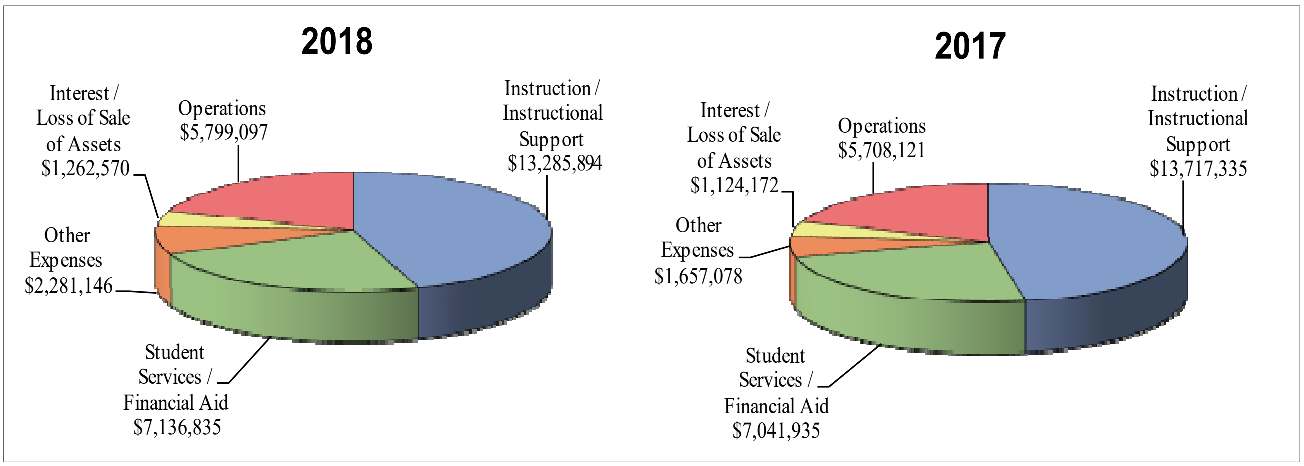
Approximately $7.22 million in non-operating revenues were received from property tax levies, an increase of $140,853 from fiscal year 2016-17. Property taxes needed to support the general operations of the District increased by $82,820 and property taxes needed to service the bond issued debt increased by $58,033. The second largest non-operating revenue source for fiscal year 2017-18 is from the State of Oregon in the form of FTE reimbursement. The District received $6.45 million in FTE reimbursement this fiscal year. This represents an increase of $2.40 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 2017-18 versus three received in 2016-17). Investment income decreased by $39,409 in the current fiscal year. This decrease is a result of a decrease in cash as a result of a completion of most capital projects and subsequent payment from the net cash provided by the sale of the General Obligation Bonds in August 2015. Therefore, less interest income was realized as less cash was held in the Local Government Investment Pool. The following graph shows the allocation of revenues for the District:



Expenses:

Operating expenses totaled $28.5 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 2017-18 at $13.28 million or 45% of total expenses. Student services, including student support and student financial aid, represent $7.13 million or 24% of total expenses. Other expenses, including auxiliary enterprises, depreciation, facilities acquisition & construction and community services, represent $2.28 million or 8% of total expenses. Operations which includes college support services and plant operations and maintenance represent $5.8 million or 19% of total expenses.

There were two non-operating expenses in fiscal year 2017-18 which was interest expense, and loss on sale of capital assets representing a total of $1.26 million or 4% of total expenses. The interest of $1,078,190 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 increased by $3.57 million during fiscal year 2017-18. 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 an increase in student tuition and fees and other operating revenues as well as an increase in property taxes revenue, offset by an increase in operating expenses and a loss on sales of capital assets for the 2017-18 fiscal year.

Analysis of the Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

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.

	2018	2017	Increase (Decrease)
Cash Provided By (Used In):			
Operating Activities	$ (10,510,906)	$ (5,890,641)	$ (4,620,265)
Noncapital Financing Activities	11,059,398	8,583,036	2,476,362
Capital Financing Activities	(5,382,017)	(15,218,832)	9,836,815
Investing Activities	202,131	241,540	(39,409)
Net increase (decrease) in cash	(4,631,394)	(12,284,897)	7,653,503
Cash – Beginning of year	14,516,038	26,800,935	(12,284,897)
Cash – End of year	**$ 9,884,644**	**$ 14,516,038**	**$ (4,631,394)**

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

State FTE reimbursement and property taxes are the primary sources of non-capital financing activities. Accounting principles generally accepted in the United States of America (GAAP) require that we reflect these sources of revenue as non-operating even though the District's budget depends on these revenues to continue the current level of operations. Cash flow from State reimbursements increased by 59.5% from fiscal year 2016-17, due to the deferred fourth quarter reimbursement and increase in state funding discussed under "Financial Highlights". However, when comparing actual state funding levels as opposed to monies received, State reimbursements increased by 2.25%. Major uses of funds included in non-capital financing activities were principal and interest paid on pension bonds.

Net cash flows used in capital financing activities decreased primarily because the majority of proceeds from the 2015-16 bond issue were disbursed for capital assets in 2016-17 as compared to 2017-18. Additionally, receipts from capital grants were considerably higher in 2017-18 than in 2016-17.
Cash flows from investing activities include earnings on investments of $202,131.

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 2017-18, budget adjustments between expenditure categories were approved by the Board of Education to accommodate increased Personnel Services in the General Fund; increased Materials & Services purchases in the Special Revenue Fund and Building Fund; increased Transfers Out and Capital Outlay in the General Fund; and increased Transfers In, in the Special Revenue Fund. These increases were offset by decreased Materials and Services, and Contingency in the General Fund; and decreased Capital Outlay in the Building Fund. No supplemental budget was adopted and there were no other significant changes to the budget during the fiscal year.

Capital Assets and Long-Term Debt

Capital Assets

The District's investment in capital assets as of June 30, 2018, amounts to $53.22 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 14).

Long-Term Debt

At the end of the 2017-18 fiscal year, the District had total debt outstanding of $28,793,115. Of this amount, $28,410,000 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 $383,115 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 $208,611,714 which is significantly higher than the District's outstanding general obligation debt. The District's outstanding debt is about 13.62% 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 15-16) and the Statistical Section (page 43-48).

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 (2008-2013) 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 and 2015-17 biennium and another increase in the 2017-19 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 revenue changes impact the speed and nimbleness of the District to meet the 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 2017-19 biennium, Oregon Community Colleges received a total increase in state revenues of $20.26 million bringing the total state funding to $570.26 million for the biennium. As a result, the District saw an increase in state funding for the 2017-18 fiscal year of $117,088. In addition, due to the Oregon

Legislature's deferral of its fiscal year 2016-17 fourth quarter reimbursement from April 2017 to July 2017 as noted in the Financial Highlights section, the District received five quarters of FTE reimbursement in the 2017-18 fiscal year.

The fourth quarter State FTE reimbursement payment for fiscal year 2016-17 was delayed until July 2017 as described in the Financial Highlights section. 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 the District knows how to allocate resources to meet the cash flow.

As a result of increased costs and insufficient levels 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 2017-19 biennium, tuition rate increases are not as significant as they would otherwise have been, but have not been totally eliminated. Increased costs from; unfunded mandates; PERS; and employment contracts; combined with decreasing enrollments, resulted in the need to increase tuition and fee rates to maintain services provided to students. During the 2017-18 fiscal year, tuition rates were increased $7 per credit from $96 to $103. An additional $5 per credit increase will be made to tuition beginning summer 2018. 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 2017-18, the District experienced a decrease in total Full-Time Equivalent students (FTE). The District had 2,024 total FTE in 2017-18, which was down 26 FTE (1.2%) from 2016-17. The District's reimbursable FTE decreased by 202 FTE (10%) 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 2018 and the contract was finalized in January 2019. This contract is effective through June 2021. The current faculty contract is effective through June 2019. Negotiations for a one-year extension are currently underway.

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, 2015, and again in July 2017. 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 14.75% and 8.17% respectively for the 2017-2019 biennium and 18.16% and 12.07% respectively for the 2019-2021 biennium.

The District proactively manages its financial position and adopts budgetary guidelines and principles that address cost reductions and revenue enhancement. The fiscal year 2017-18 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, 2018, that includes a $5.00 per credit hour tuition increase beginning summer term 2018. Justification for these increases is to offset a portion of the anticipated cost increases in personnel to include PERS, as well as increases in Materials and Services

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:

	2018	2017
Current Assets	$ 69,567	$ 324,655
Non-Current Assets	4,038,437	3,459,220
Total Assets	$ 4,108,004	$ 3,783,875
Current Liabilities	$ (970)	$ (13,702)
Restricted Net Position	3,852,178	3,543,034
Unrestricted Net Position	256,796	254,543
Total Liabilities and Net Position	$ 4,108,004	$ 3,783,875
Operating Revenues	$ 319,301	$ 581,425
Operating Expenses	337,860	282,582
Operating Income (Loss)	(18,559)	298,843
Non-Operating Revenues	329,956	422,589
Increase in Net Position	311,397	721,432
Net Position, Beginning of Year	3,797,577	3,076,145
Net Position, End of Year	$ 4,108,974	$ 3,797,577

Requests for Information

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

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

AVP of Finance & Business Operations
Blue Mountain Community College District
P.O. Box 100
Pendleton OR 97801
(541) 278-5780
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Basic Financial Statements

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2018

	Primary Government	Component Unit
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 9,884,644	$ 17,067
Receivables:		
Taxes	386,444	-
Intergovernmental	1,787,004	-
Student accounts	332,113	-
Other accounts	117,535	52,500
Prepayments	157,163	-
Inventories	155,509	-
Total current assets	12,820,412	69,567
NONCURRENT ASSETS		
Investments	-	1,065,096
Beneficial interest in assets held by The Oregon Community Foundation	-	2,907,903
Real property - net of accumulated depreciation	-	64,453
Capital assets, non-depreciable	2,789,758	-
Capital assets, depreciable - net of accumulated depreciation	50,431,671	985
Total noncurrent assets	53,221,429	4,038,437
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	4,571,142	-
Related to OPEB	69,524	-
Total deferred outflows of resources	4,640,666	-
Total assets and deferred outflows	70,682,507	4,108,004
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	714,615	4,800
Payroll liabilities	506,935	-
Accrued interest payable	31,044	-
Unearned revenues	230,695	-
Compensated absences	383,115	-
Internal balances	5,770	(5,770)
Due to others	49,250	-
Current maturities of long-term debt	1,590,000	-
Total current liabilities	3,511,424	(970)
NONCURRENT LIABILITIES		
Bonds payable, net of current maturities	26,820,000	-
Bonds payable premium	1,505,980	-
Net pension liability	10,431,716	-
Pension transition liability	1,489,694	-
Net OPEB liability	819,621	-
Total noncurrent liabilities	41,067,011	-
Total liabilities	44,578,435	(970)
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	1,408,189	-
Related to OPEB	20,930	-
Total deferred inflows of resources	1,429,119	-
NET POSITION		
Net investment in capital assets	33,215,048	-
Restricted:		
Temporary endowment and scholarships	-	2,405,908
Permanent endowment	-	1,446,270
Restricted for debt service	139,687	-
Unrestricted	(8,679,782)	256,796
Total net position	$ 24,674,953	$ 4,108,974

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, 2018

	Primary Government	Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of $594,772	$ 6,862,874	$ -
Federal student financial aid grants	2,690,561	-
Federal, state and local grants and contracts	5,451,375	-
Auxiliary enterprises	419,564	-
Foundation contributions	-	290,350
Other operating revenues	542,211	28,951
Total operating revenues	15,966,585	319,301
OPERATING EXPENSES		
Educational and general:		
Instruction	9,164,073	-
Instructional support	4,121,821	-
Other support services:		
Student services	3,465,175	-
Community services	30,185	-
College support services	3,999,955	-
Plant operations and maintenance	1,799,142	-
Student financial aid	3,671,660	-
Facilities acquisition and construction	347,124	-
Auxiliary enterprises	555,302	-
Foundation programs	-	336,235
Depreciation	1,348,535	1,625
Total operating expenses	28,502,972	337,860
Operating loss	(12,536,387)	(18,559)
NONOPERATING REVENUES (EXPENSES)		
State community college support	6,452,921	-
Property taxes	7,225,820	-
Investment income	202,131	329,956
Loss on sale of capital assets	(184,380)	-
Interest expense	(1,078,190)	-
Total nonoperating revenues (expenses)	12,618,302	329,956
Income before contributions	81,915	311,397
CAPITAL CONTRIBUTIONS	3,494,606	-
Change in net position	3,576,521	311,397
NET POSITION, beginning of year	21,098,432	3,797,577
NET POSITION, end of year	$ 24,674,953	$ 4,108,974

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, 2018

	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$ 7,014,285
Receipts from federal student financial aid grants and loans	4,151,586
Receipts from federal, state and local grants and contracts	5,332,316
Receipts from auxiliary enterprises sales	405,690
Other cash receipts	603,509
Payments to employees for services	(18,178,079)
Payments to suppliers for goods and services	(4,481,933)
Payments for student scholarships, grants and loans	(5,358,280)
Net cash used in operating activities	(10,510,906)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from State community college support	6,452,921
Cash received from property taxes	5,498,665
Principal paid on pension bonds	(480,000)
Interest paid on pension bonds	(412,188)
Net cash provided by noncapital financing activities	11,059,398
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash received from property taxes	1,714,302
Capital grants received	3,328,038
Principal paid on general obligation bonds	(950,000)
Interest paid on general obligation bonds	(793,407)
Proceeds from sale of capital assets	320,774
Acquisition of capital assets	(9,001,724)
Net cash used in capital and related financing activities	(5,382,017)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	202,131
Net decrease in cash and cash equivalents	(4,631,394)
CASH AND CASH EQUIVALENTS, beginning of year	14,516,038
CASH AND CASH EQUIVALENTS, end of year	$ 9,884,644

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, 2018

	Primary Government
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (12,536,387)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,348,535
Change in net pension liability	(1,254,568)
Change in net OPEB liability	(47,648)
Decrease-(increase) in:	
Receivables	(266,202)
Prepayments	(51,239)
Inventories	45,566
Deferred outflows of resources	2,380,403
Increase-(decrease) in:	
Operating accounts payable	12,278
Payroll liabilities	(9,824)
Unearned revenues	120,383
Compensated absences	20,243
Pension transition liability	(62,743)
Due to others	(977)
Deferred inflows of resources	(208,726)
Total adjustments	2,025,481
Net cash used in operating activities	$ (10,510,906)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Interest expense	$ 125,843
Amortization of bonds payable premium	(125,843)
Receivables - intergovernmental	(166,568)
Capital contributions	166,568
Sale of capital assets	505,154
Loss on sale of capital assets	(505,154)
Total noncash investing, capital and financing activities	$ -

The accompanying notes are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

1. Financial Reporting Entity

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

2. Discretely Presented Component Unit

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

B. Basis of Presentation

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

C. Basis of Accounting

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

D. Deferred Outflows of Resources and Deferred Inflows of Resources

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

E. Use of Estimates

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

F. Cash, Cash Equivalents, and Investments

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

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

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

G. Receivables

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

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

Unreimbursed expenses from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenses are incurred. Grant funds received prior to the occurrence of qualifying expenses are recorded as unearned revenue.

H. Inventories and Prepaid items

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

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

I. Capital Assets

Capital assets include land and land improvements; buildings and building improvements; equipment and machinery; infrastructure (utility systems, parking lots and streets); library collections; leasehold improvements; and construction in progress. The District's capitalization threshold for equipment is $5,000, and $25,000 for assets to include land, buildings, infrastructure and improvements and having useful lives in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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

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

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

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

J. Compensated Absences

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

K. Long-Term Obligations

Long-term obligations are recorded as liabilities in the basic financial statements as incurred. Bond premiums and discounts are amortized over the term of the related debt.

L. Operating Revenues and Expenses

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

M. Scholarship Allowances

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

N. Property taxes

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

O. Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Loans, Perkins Loans and other Federal programs. Federal programs are audited in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

P. Net Position

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

Q. Pension Plans

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

R. Other Postemployment Benefits

1. Public Employees Retirement System

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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.

2. Early Retirement Plan

For eligible early retirees, the District contributes a set monthly amount toward health insurance premiums; the retiree pays any premium for their selected coverage which is in excess of the District contribution. The health insurance contribution ceases at age 65.

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, 2018, 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, 2018. 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, 2018, the carrying amount of the District's deposits was $1,912,425 and the bank balance was $2,024,364. All deposits are held in the name of the District. Of the bank balance, $263,272 was covered by federal depository insurance. The remaining $1,761,092 was collateralized under ORS 295. This balance was exposed to custodial credit risk as of June 30, 2018, 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, 2018 was $4,911. 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 $2,867 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, 2018 were: 61% mature within 93 days, 20% mature from 94 days to one year, and 19% 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	$ 22,705
Deposits with financial institutions	1,912,425
Cash and cash equivalents, in escrow	4,911
Local Government Investment Pool	7,944,603
Total cash and cash equivalents	$ 9,884,644

Foundation Investments and Beneficial Interest in Assets Held by The Oregon Community Foundation - The Foundation's investments of $1,065,096 at June 30, 2018 consist primarily of investments held in various mutual funds. The Foundation also has a $2,907,903 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, 2018, The Foundation's investments in mutual funds are reported at fair value as Level 1 investments. At June 30, 2018, 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 2017-18 included gains of $724 reported in unrestricted net position and gains of $329,232 reported in temporarily restricted net position. Investment return consisted of realized earnings of $54,972 and a $274,984 increase in fair value.

B. Receivables

Receivables as of year-end are as follows:

	Taxes	Other Accounts	Student Accounts	Inter-governmental	Total
Total receivables	$ 386,444	$ 117,535	$ 1,514,526	$ 1,787,004	$ 3,805,509
Less allowance for uncollectibles	-	-	(1,182,413)	-	(1,182,413)
Net total receivables	$ 386,444	$ 117,535	$ 332,113	$ 1,787,004	$ 2,623,096

C. Foundation Receivables

The Foundation's receivables as of year-end consist of a $50,000 pledge receivable and student loans receivable totaling $2,500.

The Foundation sold a donated 72 unit storage facility on April 25, 2007 and was carrying the contract through Pioneer Escrow. The contract was fully collected by the Foundation during the 2017-18 year.

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, 2018.

E. Capital Assets

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

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Capital assets not being depreciated:				
Land	$ 1,106,019	$ -	$ 70,600	$ 1,035,419
Land improvements	1,558,154	86,685	-	1,644,839
Art and historical treasures	109,500	-	-	109,500
Construction in progress	11,496,629	5,275,597	16,772,226	-
Total capital assets not being depreciated	14,270,302	5,362,282	16,842,826	2,789,758
Capital assets being depreciated:				
Buildings and improvements	42,804,003	14,879,901	595,306	57,088,598
Equipment and machinery	4,439,795	954,015	38,870	5,354,940
Library collections	553,358	3,434	157,607	399,185
Infrastructure	1,375,681	1,674,624	-	3,050,305
Total capital assets being depreciated	49,172,837	17,511,974	791,783	65,893,028
Less accumulated depreciation for:				
Buildings and improvements	10,913,476	911,050	164,252	11,660,274
Equipment and machinery	2,754,084	377,106	35,370	3,095,820
Library collections	511,905	11,105	157,607	365,403
Infrastructure	290,587	49,273	-	339,860
Total accumulated depreciation	14,470,052	1,348,534	357,229	15,461,357
Total capital assets being depreciated, net	34,702,785	16,163,440	434,554	50,431,671
Total capital assets, net	$ 48,973,087	$ 21,525,722	$ 17,277,380	$ 53,221,429

Changes in the Foundation capital assets are as follows:

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Real property being depreciated:				
Real property	$ 65,200	$ -	$ -	$ 65,200
Accumulated depreciation	-	(747)	-	(747)
Total real property, net	$ 65,200	$ (747)	$ -	$ 64,453
Capital assets being depreciated:				
Equipment	$ 8,776	$ -	$ -	$ 8,776
Accumulated depreciation	(6,913)	(878)	-	(7,791)
Total capital assets, net	$ 1,863	$ (878)	$ -	$ 985

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
2019	$ 1,055,000	$ 755,406
2020	1,175,000	713,206
2021	1,275,000	666,206
2022	1,360,000	640,706
2023	1,475,000	586,306
2024-2028	9,240,000	2,034,238
2029-2030	4,715,000	286,200
Total	$ 20,295,000	$ 5,682,268

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
2019	$ 535,000	$ 389,902
2020	600,000	365,062
2021	665,000	337,204
2022	735,000	305,078
2023	815,000	269,570
2024-2028	4,765,000	673,925
Total	$ 8,115,000	$ 2,340,741

3. Changes in Long-Term Debt

Activity for the year ending June 30, 2018 is as follows:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Due Within One Year
Compensated absences	$ 362,872	$ 417,595	$ 397,352	$ 383,115	$ 383,115
General Obligation Bonds	21,245,000	-	950,000	20,295,000	1,055,000
G.O. Bonds Premium	1,631,823	-	125,843	1,505,980	-
Limited Tax Pension Bonds	8,595,000	-	480,000	8,115,000	535,000
Total	$ 31,834,695	$ 417,595	$ 1,953,195	$ 30,299,095	$ 1,973,115

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:

https://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, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. Employer contributions for the year ended June 30, 2018 were $1,189,474, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2018 were 14.25 percent for Tier One/Tier Two General Service Members and 7.74 percent for OPSRP Pension Program General Service Members, net of 9.34 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, 2018, the District reported a liability of $10,431,716 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.09646793%.

For the year ended June 30, 2018, the District recognized pension expense of approximately $2.1 million. At June 30, 2018, 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	$ 628,876	$ -
Changes in assumptions	2,370,381	-
Net difference between projected and actual earnings on investments	133,970	-
Changes in proportionate share	248,441	831,341
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	576,848
District's contributions subsequent to the measurement date	1,189,474	-
Deferred outflows/inflows at June 30, 2018	$ 4,571,142	$ 1,408,189

Contributions subsequent to the measurement date of $1,189,474 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other deferred outflows of resources totaling $3,381,668 less deferred inflows of resources of $1,408,189 related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	$ 180,308
2020	1,254,482
2021	870,680
2022	(353,515)
2023	21,524
Total	$ 1,973,479

Actuarial Assumptions

The employer contribution rates effective July 1, 2017, through June 30, 2019, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015 rolled forw ard to June 30, 2017
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	3.74%	7.13%
Commodities	1.87%	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	$19,588,801	$ 10,431,716	$ 2,774,634

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 $1,489,694 at June 30, 2018. The liability represents the District's allocated share of the pre-SLGRP pooled liability. The District is being assessed an employer contribution rate of 1.76 percent of covered payroll for payment of this transition liability.

C. Other Postemployment Benefits (OPEB)

1. State of Oregon Public Employees Retirement System

Plan Description

The District contributes to an OPEB plan administered by the Oregon Public Employees Retirement System (PERS). The Retiree Health Insurance Account (RHIA) is a cost-sharing multiple-employer defined benefit plan established under Oregon Revised Statue 238.420, which grants the authority to manage the plan to 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:

https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

Benefits Provided

Eligible PERS members can receive a payment of up to $60 from RHIA toward the monthly cost of health insurance. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991. The plan was closed to new entrants hired on or after August 29, 2003.

Contributions

PERS funding policy provides for monthly employer contributions at an actuarially determined rate. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. Employer contributions for the year ended June 30, 2018 were $52,973. The rates in effect for the fiscal year ended June 30, 2018 were 0.50 percent for Tier One/Tier Two General Service Members and 0.43 percent for OPSRP Pension Program General Service Members. Employees are not required to contribute to the RHIA Program.

OPEB Assets, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2018, the District reported an asset of $44,132 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities actuarially determined. On June 30, 2017, the District's proportion was 0.10574502%.

For the year ended June 30, 2018, the District recognized OPEB expense of approximately ($23) thousand. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	$ -	$ 20,439
Changes in proportionate share	-	491
District's contributions subsequent to the measurement date	52,973	-
Deferred outflows/inflows at June 30, 2018	$ 52,973	$ 20,930

Contributions subsequent to the measurement date of $52,973 reported as deferred outflows of resources will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Deferred inflows of resources of $20,930 related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2019	$ (5,292)
2020	(5,292)
2021	(5,237)
2022	(5,109)
2023	-
Total	$ (20,930)

Actuarial assumptions

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. 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 10 years.

The total OPEB asset in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015 rolled forward to June 30, 2017
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 10-year period.
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 growth
Retiree Healthcare Participation	Healthy retirees: 38%; disabled retirees: 20%
Healthcare Cost Trend Rate	Not applicable
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs, as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (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	3.74%	7.13%
Commodities	1.87%	4.58%
Total	100.00%	
Assumed Inflation - Mean		2.50%

Discount rate

The discount rate used to measure the total OPEB asset was 7.50 percent for the OPEB 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 OPEB 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 OPEB plan investments for the OPEB plan was applied to all periods of projected benefit payments to determine the total OPEB asset.

Sensitivity of the District's proportionate share of the net OPEB asset to changes in the discount rate

The following presents the District's proportionate share of the net OPEB asset calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net OPEB asset 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 OPEB liability (asset)	$ 6,152	$ (44,132)	$ (86,901)

OPEB plan fiduciary net position

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

2. Early Retirement Plan

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, 2018 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, 2018, changes in the postemployment healthcare benefits liability are as follows:

Total OPEB liability - July 1, 2017	$ 867,269
Service cost	35,649
Interest on total OPEB liability	29,814
Benefit payments - explicit medical	(25,838)
Benefit payments - implicit medical	(43,141)
Total OPEB liability - June 30, 2018	$ 863,753

For the year ended June 30, 2018, the District recognized OPEB expense of $67,760. As of June 30, 2018, the District reported deferred outflows of resources including $4,495 from experience gain and $12,056 from change in assumptions. Amounts reported as deferred outflows of resources will be recognized in expense as follows:

Year Ending June 30,	Amount
2019	$ 2,297
2020	2,297
2021	2,297
2022	2,297
2023	2,297
All subsequent years	5,066
Total	$ 16,551

Actuarial Valuation

The actuarial information is from a valuation dated June 30, 2017, rolled forward to June 30, 2018. 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 - 6/30/2018	$ 919,144	$ 863,753	$ 811,234

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 - 6/30/2018	$ 805,699	$ 863,753	$ 930,710

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.

Required Supplementary Information

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

Schedule of the Proportionate Share of the Net Pension Liability

Public Employees Retirement System Pension Plan

Fiscal Year Ended June 30,	(a) District's proportion of the net pension liability (asset)	(b) District's proportionate share of the net pension liability (asset)	(c) District's covered payroll	(b/c) District'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
2018	0.09646793%	$ 10,431,716	$ 9,520,859	109.57%	83.12%
2017	0.09445003%	11,686,284	10,315,404	113.29%	80.53%
2016	0.10026437%	3,324,359	9,622,236	34.55%	91.88%
2015	0.10963119%	(5,600,106)	9,740,796	-57.49%	103.60%
2014	0.10963119%	2,655,824	9,740,796	27.26%	91.97%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date which is a date one year earlier than the fiscal year-end date above.

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

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

Schedule of Contributions

Public Employees Retirement System Pension Plan

Fiscal Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	$ 1,189,474	$ 1,189,474	$ -	$ 10,073,351	11.81%
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 actuarially determined at December 31 and rolled forward to the measurement date which is a date one year earlier than the fiscal year-end date above. However, the contributions above represent contributions made during the respective fiscal year indicated above.

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 the Proportionate Share of the Net OPEB Liability
Public Employees Retirement System OPEB Plan

Fiscal Year Ended June 30,	(a) District's proportion of the net OPEB liability (asset)	(b) District's proportionate share of the net OPEB liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.10574502%	$ (44,132)	$ 9,520,859	-0.46%	108.89%
2017	0.10822459%	29,390	10,315,404	0.28%	93.84%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date which is a date one year earlier than the fiscal year-end date above.

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 OPEB Plan

Fiscal Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	$ 52,973	$ 52,973	$ -	$ 10,073,351	0.53%
2017	51,586	51,586	-	9,520,859	0.54%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date which is a date one year earlier than the fiscal year-end date above. However, the contributions above represent contributions made during the respective fiscal year indicated above.

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 Changes in the District's Total OPEB Liability and Related Ratios
Early Retirement Plan

	Fiscal Year Ended	
	June 30, 2018	June 30, 2017
Total OPEB liability		
Service cost	$ 35,649	$ 34,443
Interest on total OPEB liability	29,814	29,202
Changes in assumptions	-	15,402
Experience gain	-	5,743
Benefit payments	(68,979)	(66,452)
Net change in total OPEB liability	(3,516)	18,338
Total OPEB liability - beginning	867,269	848,931
Total OPEB liability - ending	$ 863,753	$ 867,269
Covered payroll	$ 10,676,550	$ 10,315,507
Total OPEB liability as a % of covered payroll	8.1%	8.4%

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.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Public Employees Retirement System Pension and OPEB Plans

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:

https://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:

https://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:

https://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:

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

Early Retirement 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, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 5,316,010	$ 5,316,010	$ 5,471,441	$ 155,431
Tuition and fees	5,974,650	5,974,650	6,117,226	142,576
State sources	4,561,986	4,561,986	5,258,466	696,480
Private sources	90,000	90,000	90,000	-
Other sources	481,290	481,290	921,131	439,841
Total revenues	16,423,936	16,423,936	17,858,264	1,434,328
EXPENDITURES				
Personnel services	14,327,655	14,408,655	13,855,894	552,761
Materials and services	3,974,651	3,961,651	3,554,580	407,071
Capital outlay	6,000	31,000	15,981	15,019
Contingency	484,230	273,704	-	273,704
Total expenditures	18,792,536	18,675,010	17,426,455	1,248,555
Revenues over (under) expenditures	(2,368,600)	(2,251,074)	431,809	2,682,883
OTHER FINANCING SOURCES (USES)				
Transfers in	1,937,484	1,937,484	-	(1,937,484)
Transfers out	(314,462)	(431,988)	(413,758)	18,230
Total other financing sources (uses)	1,623,022	1,505,496	(413,758)	(1,919,254)
Net change in fund balance	(745,578)	(745,578)	18,051	763,629
FUND BALANCE, beginning	2,633,994	2,633,994	2,897,779	263,785
FUND BALANCE, ending	$ 1,888,416	$ 1,888,416	$ 2,915,830	$ 1,027,414

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 149,933	$ 149,933	$ 157,185	$ 7,252
Tuition and fees	1,118,735	1,118,735	1,340,420	221,685
State sources	4,649,130	4,649,130	4,563,192	(85,938)
Federal sources	11,429,836	11,429,836	4,913,187	(6,516,649)
Private sources	407,000	407,000	160,912	(246,088)
Other sources	472,846	472,846	359,273	(113,573)
Total revenues	18,227,480	18,227,480	11,494,169	(6,733,311)
EXPENDITURES				
Personnel services	4,882,306	4,882,306	4,007,726	874,580
Materials and services	14,064,556	14,182,082	7,148,787	7,033,295
Capital outlay	116,829	116,829	12,107	104,722
Total expenditures	19,063,691	19,181,217	11,168,620	8,012,597
Revenues over (under) expenditures	(836,211)	(953,737)	325,549	1,279,286
OTHER FINANCING SOURCES (USES)				
Transfers in	164,462	281,988	263,758	(18,230)
Transfers out	(1,941,484)	(1,941,484)	-	1,941,484
Total other financing sources (uses)	(1,777,022)	(1,659,496)	263,758	1,923,254
Net change in fund balance	(2,613,233)	(2,613,233)	589,307	3,202,540
FUND BALANCE, beginning	3,763,107	3,763,107	4,303,537	540,430
FUND BALANCE, ending	$ 1,149,874	$ 1,149,874	$ 4,892,844	$ 3,742,970

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
State sources	$ 3,788,350	$ 3,788,350	$ 3,331,350	$ (457,000)
Local sources	-	-	4,466	4,466
Other sources	-	-	194,212	194,212
Total revenues	3,788,350	3,788,350	3,530,028	(258,322)
EXPENDITURES				
Personnel services	34,605	34,605	24,867	9,738
Materials and services	640,000	990,000	916,111	73,889
Capital outlay	13,734,212	13,384,212	5,840,247	7,543,965
Total expenditures	14,408,817	14,408,817	6,781,225	7,627,592
Revenues over (under) expenditures	(10,620,467)	(10,620,467)	(3,251,197)	7,369,270
OTHER FINANCING SOURCES				
Transfers in	150,000	150,000	150,000	-
Net change in fund balance	(10,470,467)	(10,470,467)	(3,101,197)	7,369,270
FUND BALANCE, beginning	10,470,467	10,470,467	5,355,260	(5,115,207)
FUND BALANCE, ending	$ -	$ -	$ 2,254,063	$ 2,254,063

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local sources	$ 1,688,410	$ 1,688,410	$ 1,708,586	$ 20,176
Other sources	1,038,767	1,038,767	955,104	(83,663)
Total revenues	2,727,177	2,727,177	2,663,690	(63,487)
EXPENDITURES				
Debt service	2,635,600	2,635,600	2,635,595	5
Net change in fund balance	91,577	91,577	28,095	(63,482)
FUND BALANCE, beginning	1,305,000	1,305,000	1,399,640	94,640
FUND BALANCE, ending	$ 1,396,577	$ 1,396,577	$ 1,427,735	$ 31,158

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales	$ 600,000	$ 600,000	$ 340,531	$ (259,469)
Tuition and fees	220,000	220,000	56,451	(163,549)
Other sources	28,400	28,400	22,582	(5,818)
Total revenues	848,400	848,400	419,564	(428,836)
EXPENDITURES				
Personnel services	312,128	312,128	222,832	89,296
Materials and services	523,738	523,738	335,328	188,410
Total expenditures	835,866	835,866	558,160	277,706
Net change in fund balance	12,534	12,534	(138,596)	(151,130)
FUND BALANCE, beginning	(348,500)	(348,500)	(448,819)	(100,319)
FUND BALANCE, ending	$ (335,966)	$ (335,966)	$ (587,415)	$ (251,449)

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales	$ 170,000	$ 170,000	$ 150,944	$ (19,056)
Other sources	3,000	3,000	401	(2,599)
Total revenues	173,000	173,000	151,345	(21,655)
EXPENDITURES				
Personnel services	57,043	57,043	56,936	107
Materials and services	111,600	111,600	78,191	33,409
Total expenditures	168,643	168,643	135,127	33,516
Net change in fund balance	4,357	4,357	16,218	11,861
FUND BALANCE, beginning	17,000	17,000	45,662	28,662
FUND BALANCE, ending	$ 21,357	$ 21,357	$ 61,880	$ 40,523

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales	$ 2,000	$ 2,000	$ -	$ (2,000)
Private sources	31,100	31,100	16,991	(14,109)
Other sources	122,250	122,250	75,126	(47,124)
Total revenues	155,350	155,350	92,117	(63,233)
EXPENDITURES				
Personnel services	10,684	10,684	9,608	1,076
Materials and services	143,150	143,150	72,578	70,572
Total expenditures	153,834	153,834	82,186	71,648
Revenues over (under) expenditures	1,516	1,516	9,931	8,415
OTHER FINANCING SOURCES				
Transfers in	4,000	4,000	-	(4,000)
Net change in fund balance	5,516	5,516	9,931	4,415
FUND BALANCE, beginning	29,280	29,280	39,319	10,039
FUND BALANCE, ending	$ 34,796	$ 34,796	$ 49,250	$ 14,454

STATISTICAL SECTION

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

COLLEGE BONDED INDEBTEDNESS AND PROJECTED DEBT SERVICE REQUIREMENTS
For the Fiscal Year Ended June 30, 2018

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 (01-01-2017)	$ 7,855,806,854
Morrow County Real Market Value (01-01-2017)	4,298,799,569
Baker County Real Market Value (01-01-2017)	1,752,841,190
Real Market Value (01-01-2017) *	$ 13,907,447,613
General Obligation Debt Capacity (1.5% of Real Market Value)	$ 208,611,714
Less: Outstanding Debt subject to limit as of June 30, 2018	(28,410,000)
Remaining Legal Debt Capacity	$ 180,201,714

** 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
2018-2019	$ 535,000	$ 389,902	$ 1,055,000	$ 755,406	$ 2,735,308
2019-2020	600,000	365,062	1,175,000	713,206	2,853,268
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	30,194	2,115,000	273,200	3,043,394
2028-2029	-	-	2,275,000	188,600	2,463,600
2029-2030	-	-	2,440,000	97,600	2,537,600
	$8,115,000	$2,340,741	$20,295,000	$5,682,268	$36,433,009

NOTE: Totals may not foot due to rounding.

** Fiscal years ending June 30.

Summary of Overlapping Debt
(As of June 30, 2018)

Overlapping District	Real Market Valuation	Percent Overlap	Gross Property-tax Backed Debt (1)	Net Property-tax Backed Debt (2)
Baker County SD 5J (Baker)	1,424,851,490	99.61%	6,566,446	6,566,446
Boardman Park & Recreation Dist.	2,012,749,144	100.00%	11,950,000	11,950,000
City of Adams	20,788,274	100.00%	34,750	34,750
City of Baker City	657,125,490	100.00%	1,557,639	1,557,639
City of Boardman	543,311,736	100.00%	4,998,489	4,998,489
City of Echo	33,953,443	100.00%	75,855	75,855
City of Haines	22,703,070	100.00%	61,723	7,297
City of Halfway	26,635,870	100.00%	109,585	0
City of Heppner	68,274,337	100.00%	2,792,727	2,792,727
City of Hermiston	1,187,064,794	100.00%	47,394,508	9,235,000
City of Ione	19,097,144	100.00%	545,000	0
City of Irrigon	67,541,457	100.00%	5,654,836	439,836
City of Lexington	14,254,317	100.00%	133,293	133,293
City of Milton-Freewater	349,333,732	100.00%	117,005	117,005
City of Pendleton	1,193,863,971	100.00%	34,418,489	17,873,376
City of Richland	12,159,370	100.00%	55,709	55,709
City of Stanfield	111,232,275	100.00%	1,323,289	1,323,289
City of Sumpter	42,310,970	100.00%	710,323	0
City of Ukiah	9,168,197	100.00%	613,353	613,353
City of Umatilla	385,498,066	100.00%	943,142	943,142
City of Weston	57,884,518	100.00%	111,097	111,097
East Umatilla RFPD	3,374,693,323	100.00%	105,000	105,000
Heppner RFPD	121,741,967	100.00%	351,279	351,279
Milton-Freewater Water Control Dist.	542,748,801	100.00%	2,180,000	2,180,000
Morrow County Health District	4,298,799,569	100.00%	1,460,814	1,460,814
Morrow County SD 1	3,839,767,685	100.00%	12,453,795	12,453,795
Morrow County SD 2 (Ione)	477,116,511	96.21%	1,308,451	1,308,451
Oregon Trail Library District	3,664,312,467	100.00%	275,915	275,915
Pilot Rock RFPD 7-401	192,391,796	100.00%	70,000	70,000
Port of Morrow	4,298,799,569	100.00%	64,151,823	44,316,823
Port of Umatilla	7,855,806,854	100.00%	669,574	669,574
Umatilla County	7,855,806,854	100.00%	11,809,862	809,862
Umatilla County SD 1 (Helix)	232,606,562	100.00%	4,600,000	4,600,000
Umatilla County SD 2 (Pilot Rock)	197,974,766	100.00%	4,795,071	4,795,071
Umatilla County SD 5R (Echo)	265,403,158	100.00%	6,407,946	6,407,946
Umatilla County SD 6 (Umatilla)	597,000,000	100.00%	18,522,190	18,522,190
Umatilla County SD 8 (Hermiston)	2,592,304,136	100.00%	79,963,373	79,963,373
Umatilla County SD 16R (Pendleton)	2,002,794,887	100.00%	70,580,473	70,580,473
Umatilla County SD 29J (Athena-Weston)	477,898,669	99.92%	3,372,209	3,372,209
Umatilla County SD 61 (Stanfield)	531,930,516	100.00%	3,145,927	3,145,927
Umatilla Co USD 7 (Milton-Freewater)	923,574,753	100.00%	22,429,868	22,429,868
Umatilla RFPD 7-405	3,578,306,273	100.00%	1,820,000	1,820,000

Umatilla-Morrow ESD	16,555,859,516	84.00%	4,121,617	0
Union County SD 8J (North Powder)	141,790,510	25.64%	752,651	752,651
Union-Baker ESD	4,400,858,023	39.83%	1,278,741	0
			$436,793,837	$339,219,524

(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, 2018)

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	$8,115,000
General Obligation Bonds				
Series 2015	08/11/2015	06/15/2030	$23,000,000	$20,295,000

Financial Information

2017-2018:

Real Market Valuation (1)	$13,907,447,613
Assessed Valuation (1)	$9,162,207,089
Estimated Population (Baker, Morrow and Umatilla Counties)	104,205

Debt Information (2)

Net Property-tax Backed Debt	$ 28,410,000
Net Overlapping Debt	339,219,524
Total Net Property-tax Backed Debt and Net Overlapping Debt	$ 367,629,524

Bonded Debt Ratios

Net Property-tax Backed Debt to Real Market Valuation	0.20%
Net Property-tax Backed and Net Overlapping Debt to Real Market Valuation	2.64%
Per Capita Real Market Valuation	$ 133,462
Per Capita Net Property-tax Backed Debt	$ 273
Per Capita Total Net Property-tax Backed and Net Overlapping Debt	$ 3,528

(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.

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, 2018)

	Real Market Value			
Fiscal Year	Umatilla Co	Morrow Co.	Baker Co	Total
2018	$7,855,806,854	$4,298,799,569	$1,752,841,190	$13,907,447,613
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

	Assessed Value				Percent of
Fiscal Year	Umatilla Co.	Morrow Co	Baker Co	Total	RMV
2018	$5,682,915,542	$2,075,646,128	$1,403,645,419	$9,162,207,089	66%
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%

Property Taxes Levied and Received
(Fiscal Year Ending June 30, 2018)

	Operations	Debt Service
Property Taxes Levied (rate or amount)	$0.6611 / $1,000	$ 1,657,504
Property Taxes Received (1)	$ 5,474,361	$ 1,708,586

(1) Debt Service includes a $115,528 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, 2018

Percent of Tax Collection Recorded – Year of the Levy

Collection Year	Umatilla County	Morrow County	Baker County
2017-18	97.27	96.90	96.68
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

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
(2017-2018)

Baker County

Taxpayer	Business	Taxes	Assessed Property Value	Percent of Value
Idaho Power Company	Utility	$ 1,140,304	$ 110,142,400	7.85%
Ash Grove Cement Company	Cement Processor	750,733	76,902,671	5.48%
Union Pacific Railroad Co.	Rail Transportation	700,246	58,369,916	4.16%
Northwest Pipeline Corp	Utility	330,326	31,929,628	2.27%
Oregon Telephone Corp.	Telecommunications	210,341	19,078,900	1.36%
Level 3 Communications LLC	Communications	181,363	18,196,109	1.30%
CenturyLink	Telecommunications	163,651	14,506,800	1.03%
Marvin Wood Products Inc.	Lumber	128,981	8,598,720	0.61%
Tesoro Logistics NW Pipeline Co	Petroleum Pipelines	100,965	9,775,200	0.70%
Verizon Communications	Telecommunications	95,329	8,012,000	0.57%
Subtotal - Ten of County's largest taxpayers		$ 3,802,239	$ 355,512,344	25.33%
All other County Taxpayers			1,048,133,075	74.67%
Total County taxpayers			$ 1,403,645,419	100.00%

Source: Baker County Assessor's Office

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

MAJOR TAXPAYERS (Continued)
For the Fiscal Year Ended June 30, 2018

Major Taxpayers
(2017-2018)

Umatilla County

Taxpayer	Business	Taxes	Assessed Property Value	Percent of Value
Hermiston Power LLC	Utility	$ 3,375,225	$ 225,000,000	3.96%
Union Pacific Railroad Co	Rail Transportation	2,129,668	164,193,570	2.89%
PacifiCorp.	Utility	1,970,006	135,878,000	2.39%
Vadata, Inc.	Data Center	1,788,749	114,800,260	2.02%
Hermiston Generating Co	Utility	1,500,100	100,000,000	1.76%
Conagra Foods Lamb-Weston Inc.	Food Processing	630,131	41,530,850	0.73%
Vadata, Inc.	Data Center	603,189	33,153,484	0.58%
Wal-Mart Stores East LP	Retail Sales	569,326	32,160,070	0.57%
Snack Alliance Inc.	Snack Food Processing	511,996	34,130,770	0.60%
Charter Communications	Communications	500,935	27,512,600	0.48%
Subtotal - Ten of County's largest taxpayers		$ 13,579,325	$ 908,359,604	15.98%
All other County Taxpayers			4,774,555,938	84.02%
Total County taxpayers			$ 5,682,915,542	100.00%

Source: Umatilla County Assessor's Office

Morrow County

Taxpayer	Business	Taxes	Assessed Property Value	Percent of Value
Portland General Electric	Utility	$ 4,267,486	$ 290,411,870	13.99%
Avista Corporation	Utility	3,047,585	172,179,000	8.30%
Threemile Canyon Farms, LLC.	Agriculture	2,166,371	160,815,046	7.75%
Vadata, Inc.	Data Center	2,015,581	140,938,750	6.79%
Lamb-Weston, Inc.	Food Processing	1,669,282	94,281,620	4.54%
Columbia River Processing, Inc.	Food Processing	1,019,245	71,246,950	3.43%
Gas Transmission Northwest Corp	Utility	959,781	67,508,500	3.25%
RDO/Calbee Foods LLC	Snack Food Processing	531,804	37,174,000	1.79%
Te Velde, Greg	Agriculture	519,175	37,902,326	1.83%
Port of Morrow	Economic Development	441,805	29,618,432	1.43%
Subtotal - Ten of County's largest taxpayers		$ 16,638,115	$ 1,102,076,494	53.10%
All other County Taxpayers			973,569,634	46.90%
Total County taxpayers			$ 2,075,646,128	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*

February 22, 2019

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, 2018, and have issued our report thereon dated February 22, 2019.

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

February 22, 2019

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, 2018. 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, 2018.

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, 2018

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		$ 49,067	$ 49,067
Federal Work-Study Program	84.033		67,681	67,681
Federal Perkins Loans	84.038			37,455
Federal Pell Grant	84.063		2,577,516	2,577,516
Federal Direct Student Loan	84.268		1,686,620	1,686,620
				4,418,339
TRIO - Student Support Services 2016-17	84.042		238,548	34,708
TRIO - Student Support Services 2017-18	84.042		244,512	225,072
				259,780
Passed through Oregon Higher Education Coordinating Commission:				
Adult Education Comprehensive Services Grant	84.002	EE161701BG	126,881	126,881
Adult Education Program Improvement Set-Aside Grant	84.002	EE161701BG	3,630	3,630
				130,511
Passed through Western Oregon University:				
Project PAPI: Paraprofessional Preparation for Improvement Program	84.325	H325N110017	4,000	1,715
Passed through Intermountain Education Service District:				
Carl Perkins - CTE Grant	84.048		51,447	51,447
Total U.S. Department of Education				4,861,792
SMALL BUSINESS ADMINISTRATION				
Passed through Lane Community College:				
Small Business Development Center	59.037	18-140	33,000	33,000
Small Business Development Center	59.037	16-B-0074-140	19,000	1,698
Small Business Development Center	59.037	17-B-0074-140	30,000	30,000
Total Small Business Administration				64,698
TOTAL FEDERAL FINANCIAL ASSISTANCE				$ 4,926,490

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

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, 2018. 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 2017-18 fiscal year is as follows:

Balance - 7/1/2017	$ 37,455
Loan repayments	(1,949)
Balance - 6/30/2018	$ 35,506

BLUE MOUNTAIN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

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

February 22, 2019

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, 2018, and have issued our report thereon dated February 22, 2019.

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.

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