Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Big Bend Community College

For the period July 1, 2016 through June 30, 2017

Published February 5, 2018

Report No. 1020702

Office of the Washington State Auditor
Pat McCarthy

February 5, 2018

Board of Trustees
Big Bend Community College
Moses Lake, Washington

Report on Financial Statements

Please find attached our report on the Big Bend Community College's financial statements.

We are issuing this report in order to provide information on the College's financial condition.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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

Big Bend Community College
July 1, 2016 through June 30, 2017

Board of Trustees
Big Bend Community College
Moses Lake, Washington

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 the Big Bend Community College, Grant County, Washington, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 10, 2018. As discussed in Note 2 to the financial statements, during the year ended June 30, 2017, the College implemented Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

The financial statements of the Big Bend Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2017, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the College'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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College’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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 the College’s financial statements are free from material misstatement, we performed tests of the College’s 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 College’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 College’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

January 10, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Big Bend Community College
July 1, 2016 through June 30, 2017

Board of Trustees
Big Bend Community College
Moses Lake, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Big Bend Community College, Grant County, Washington, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 10.

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 an opinion 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 College'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 College'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Big Bend Community College, as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 2 to the financial statements, in 2017, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the Big Bend Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2017, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 10 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 REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2018 on our consideration of the College'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 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 the College's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

January 10, 2018

FINANCIAL SECTION

Big Bend Community College
July 1, 2016 through June 30, 2017

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

Big Bend Community College

The following discussion and analysis provides an overview of the financial position and activities of Big Bend Community College (the College) for the fiscal year ended June 30, 2017 (FY 2017). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity

Big Bend Community College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 3,972 students. The College confers associates degrees, certificates and high school diplomas. The College was established in 1962 and its primary purpose is to deliver lifelong learning through a commitment to student success, excellence in teaching and learning, and community engagement.

The College's main campus is located in Moses Lake, Washington, a community of about 23,000 residents. The College is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2017. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash Flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are reported under the accrual basis of accounting where all of the current year's revenues and expenses are taken into account regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

During 2017, the College adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 as amended by GASB Statement No. 71.* It establishes financial reporting requirements for defined benefit pensions that are provided to employees of state and local governmental employers and that are not administered through trusts or equivalent arrangements and therefore outside the scope of Statement 68. The College is required to record its proportionate share of net pension liabilities, deferred inflows, pension expense and benefit payments. The change in accounting principle resulted in an additional amount of $1,301,345 in pension liability.

Statement of Net Position

The Statement of Net Position provides information about the College's financial position, and presents the College's assets, liabilities, deferred inflows and outflows, and net position at year-end and includes all assets and liabilities of the College. For FY 2017, net position held steady. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30th	**FY 2017**	**FY 2016**
Assets		
Current Assets	8,458,511	9,493,777
Capital Assets, net	24,578,213	22,688,083
Other Assets, non-current	18,034,534	17,656,837
Total Assets	**$ 51,071,258**	**$ 49,838,697**
Deferred Outflows	**$ 805,394**	**$ 529,988**
Liabilities		
Current Liabilities	2,272,179	2,444,118
Other Liabilities, non-current	7,736,095	6,402,727
Total Liabilities	**$ 10,008,274**	**$ 8,846,845**
Deferred Inflows	**$ 483,321**	**$ 497,171**
Net Position	**$ 41,385,057**	**$ 41,024,669**

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The decrease of current assets in FY 2017 can be attributed to the combination of a decrease in cash and cash equivalents and increase in short-term investments.

Net capital assets increased by $1,890,130 from FY 2016 to FY 2017. After taking into consideration current depreciation expense of $1,219,053, the increase is primarily the result of our construction in progress of the Workforce Education project and the ongoing acquisitions of capitalizable equipment along with the completion of a couple renovations and upgrading of buildings around campus.

Non-current assets consist primarily of the long-term portion of certain investments and student loans receivable. A minimum increase has occurred from the result of long-term investments purchased at a premium price.

Deferred outflows of resources and deferred inflows of resources represent pension-related deferrals associated with the implementation of GASB Statement No. 68 in FY 2015 and Statement No. 73 in FY 2017. The increase in deferred outflows reflect the College's proportionate share of an increase in the state-wide amounts reported by the DRS due to differences between expected and actual experience related to the actuarial assumptions. The College recorded $529,988 in FY 2016 and $805,394 in FY2017 of pension-related deferred outflows. The increase reflects the change in proportionate share.

Similarly, the decrease in deferred inflows in 2017 reflects the decrease in difference between actual and projected investment earnings on the state's pension plans and also the implementation of GASB Statement No. 73.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements, which is the reason for the decrease in FY 2017. The primary reason for the decrease in current liabilities from FY 2016 to FY 2017 is due to the payout related to the settlement of Moore vs. HCA, which was accrued as a liability in FY 2016.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation debt, and the College's share of the net pension liability. The College's non-current liabilities increased due to the implementation of GASB Statement 73, reflecting the College's proportionate share of the pension liability for the State Board Supplemental Retirement Plan.

Net position represents the value of the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The College is required by accounting standards to report its net position in four categories:

> ***Net Investment in Capital Assets –*** The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.
>
> ***Restricted:***
>
> > ***Nonexpendable –*** consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for spending but for investment purposes only. Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Foundation. As a result, the college is not reporting any balance in this category.
> >
> > ***Expendable –*** resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary

expendable funds for the College are student loans with the loan balances are discussed above.

Unrestricted **–** Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

Net Position As of June 30th	**FY 2017**	**FY 2016**
Net investment in capital assets	$22,278,213	$20,108,083
Restricted		
Expendable (Student Loans)	$340,525	
Unrestricted	$18,766,319	$20,916,586
Total Net Position	**$41,385,057**	**$41,024,669**

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position accounts for the College's changes in total net position during FY 2017. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains and losses of the College.

Generally, operating revenues are earned by the College in exchange for providing goods and services. Tuition, grants and contracts are included in this category. In contrast, non-operating revenues include monies the college receives from another government without directly giving equal value to that government in return. Accounting standards require that the College categorize state operating appropriations and Pell Grants as non-operating revenues.

Operating expenses are expenses incurred in the normal operation of the College, including depreciation on property and equipment assets. When operating revenues, excluding state appropriations and Pell Grants, are measured against operating expenses, the College shows an operating loss. The operating loss is reflective of the external funding necessary to keep tuition lower than the cost of the services provided.

A condensed comparison of the College's revenues, expenses and changes in net position for the years ended June 30, 2017 and 2016 is presented below.

As of June 30th	FY 2017	FY 2016
Operating Revenues		
Student Tuition and Fees	$ 4,787,970	$ 5,107,385
Auxiliary Enterprise Sales	1,679,055	1,309,953
Grants and Contracts	9,610,560	10,101,348
Other Operating Revenue	293,533	657,584
Non-Operating Revenues		
State Appropriations	11,044,607	10,080,707
Federal Pell Grant	3,645,251	4,101,745
Investment Income	157,537	231,323
Interest on loans to students	1,268	3,750
Operating Expenses		
Salaries and Wages	13,131,261	12,550,052
Benefits	4,202,244	3,857,285
Other Expenses	5,130,590	3,405,208
Scholarships and Fellowships	4,052,983	4,226,355
Supplies and Material	1,991,001	1,974,649
Depreciation	1,219,053	1,085,687
Purchased Services	886,652	1,166,590
Utilities	638,311	604,567
Non-Operating Expenses		
Interest on Indebtedness	110,000	122,700
Building Fee Remittance	578,586	588,177
Innovation Fund Remittance	133,401	138,582
Net Revenue and Expenses	**$ (854,301)**	**$ 1,873,943**
Capital Appropriations	2,834,861	564,334
Change in Net Position	**1,980,560**	**2,438,277**
Net Position, Beginning of the Year	**41,024,669**	**38,586,392**
Net Position change due to GASB 73	**(1,620,172)**	**0**
Net Position, End of the Year	**$ 41,385,057**	**$ 41,024,669**

<u>Revenues</u>

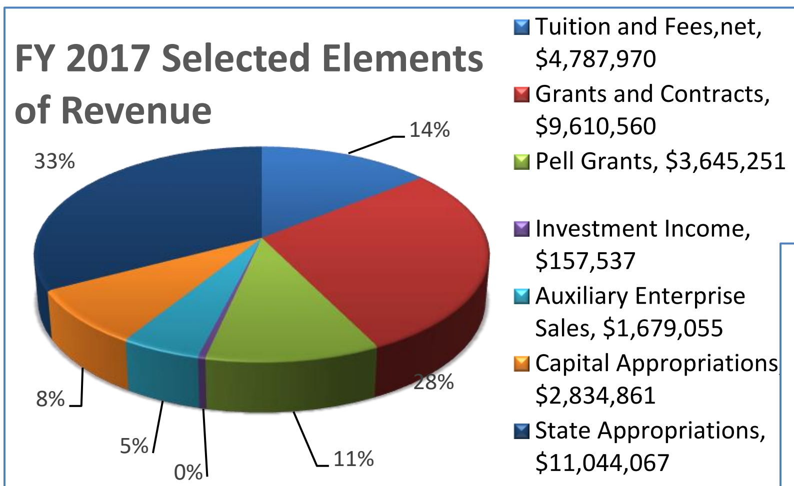
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2017, the SBCTC moved forward with a new allocation model, allocating funds to each of the 34 college's based on 3-year average FTE actuals. In FY 2017, the College saw an increase in its state allocation due to the implementation of this new model. In addition, the College received a one-time allocation of $517,063 for a portion of its share of Moore vs HCA settlement cost. This allocation does not carry forward to future years.

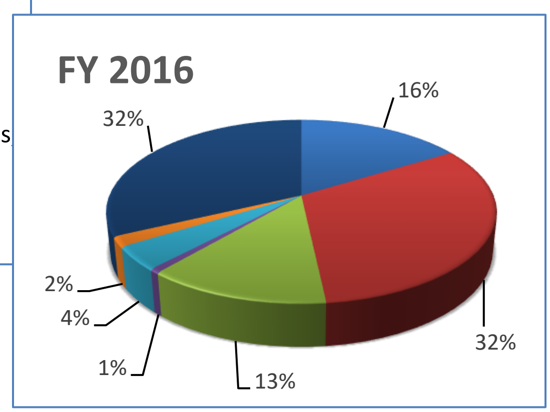
Since enrollments slightly decreased in FY 2017, the College's tuition and fee revenue also decreased. There was a slight increase in the tuition rate but it was made in the building fee rate, which is remitted to the state and not held with the college. A large piece of the decrease was due to a lower number of students enrolled in our flight program, which accounted for around

$110,000 in less lab fee generation. Pell grant revenues generally follow enrollment trends. As the College's enrollment softened during FY 2017, so did the College's Pell Grant revenue.

In FY 2017, grant and contract revenues decreased by $490,788 when compared with FY 2016. The overall decrease is due to a combination of the ending of a federal grant, the reduction of Pell revenue along with an increase in contract revenue for the Running Start program. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses.

The College receives capital spending authority on a biennial basis and may carry unexpended amounts forward into one or two future biennia, depending on the original purpose of the funding. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Expenses from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenses that meet the capitalization standard are not shown as expense in the current period and are instead recognized as depreciation expense over the expected useful lifetime of the asset.





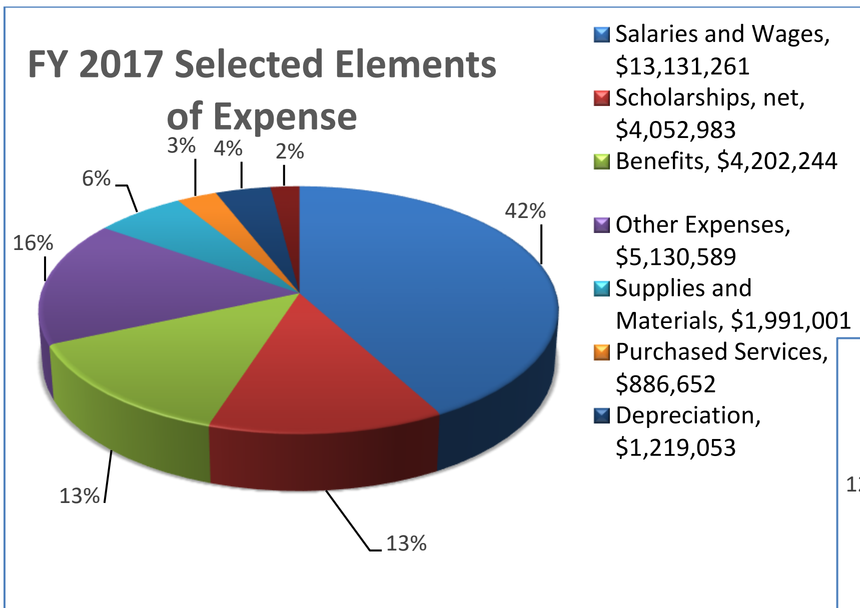
Expenses
Faced with severe budget cuts over the past seven years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions.

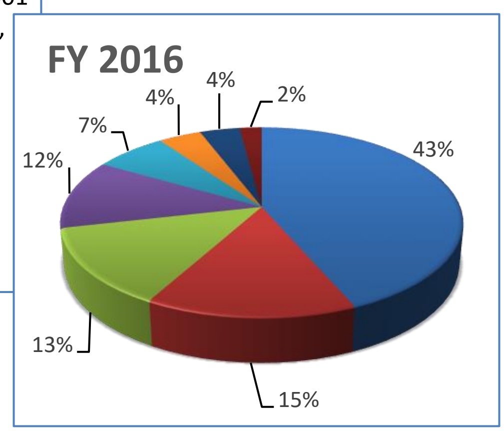
More recently, in FY 2017, salary costs increased by $581,209 as a direct result of the 1.8% salary increase appropriately by the Legislature. In addition, benefits increased by $344,959 as a result of the increased healthcare and retirement costs, as well as the accrual of pension adjustments related to GASB 68 and 73 reporting.

Utility costs have increased slightly as a result of rate increases for electricity. Scholarships and fellowships also saw a slight decrease due to the decrease in enrollment. Supplies and materials showed a marginal increase while purchased services showed a decrease netting relatively only a very small decrease.

All other costs are reported as operating expenses. Examples include software maintenance, contracts, employee training, and non-capitalized equipment purchases, as well as the accrued expenditure associated with the *Moore vs. HCA* liability (the settlement of a lawsuit brought on behalf of part-time and seasonal state employees who sued the State because the denial of healthcare benefits, for which the College's portion of the settlement was $350,032).

<u>Comparison of Selected Operating Expenses by Function</u>
The chart below shows the amount, in dollars, for selected functional areas of operating expenses for FY 2017 and FY 2016.





Capital Assets and Long-Term Debt Activities
The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed.

At June 30, 2017, the College had invested $24,578,213 in capital assets, net of accumulated depreciation. This represents an increase of $1,890,130 from last year, as shown in the table below.

Asset Type	June 30, 2017	June 30, 2016	Change
Land	$ 51,700	$ 51,700	$ -
Construction in Progress	1,665,100	303,830	1,361,270
Buildings, net	20,759,352	20,778,041	(18,689)
Other Improvements and Infrastructure, net	675,140	174,668	500,472
Equipment, net	1,389,081	1,350,541	38,540
Library Resources, net	37,840	29,303	8,537
Total Capital Assets, Net	**$ 24,578,213**	**$ 22,688,083**	**$ 1,890,130**

The increase in net capital assets can be attributed to the completion of a renovation for the 1400 building registration and financial aid area, the addition of the CDL track, turned our dilapidated tennis courts into an outdoor Unmanned Aerial Systems (UAS) netted facility, and the 4100 building for our UAS Program, along with the acquisition of equipment. Additional information on capital assets can be found in Note 7 of the Notes to the Financial Statements.

At June 30, 2017, the College had $2,010,000 in outstanding debt. The College has two Certificate of Participation (COP), one for the Grant County Advanced Technologies Education Center (GCATEC) building and the other for an energy efficiency project for outside lighting.

	June 30, 2017
Certificates of Participation	$2,010,000
Total	**$2,010,000**

Additional information of notes payable, long-term debt and debt service schedules can be found in Notes 13 and 14 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

Following a trend that began in FY 2009, the College's state operating appropriations have continued to decrease through FY 2015. Beginning FY 2016, the Legislature's enactment of the Affordable Education Act, which reduced tuition rates by 5% at the College. This will further reduce the amount of tuition collected by the College. The Legislature did however backfill this loss. In FY 2017, the State Board for Community and Technical College's has elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Due to a decrease in enrollment, it is estimated that the College will likely see a decrease in state operating appropriations in the future year.

While the College continues to exercise fiscal caution in its overall spending and budgeting, with the help of federal grants, the College introduced two new programs last year, Medical

Simulation and Unmanned Aerial Systems. Fall of 2016, the College began the design work on its (Workforce Education Center) Professional-Technical Education Center. The College has been able to continue with design as planned with local funding considering the capital budget has not be approved by Legislation; construction is slated to begin spring of 2018.

It's unclear how much opportunity there may be for additional investments in community and technical colleges in the next few years, as state budget writers continue to grapple with court-mandated basic education obligations such as the McCleary Act.

Big Bend Community College

Statement of Net Position
June 30, 2017

Assets	
Current assets	
Cash and cash equivalents	$ 3,499,990
Short-term investments	3,013,000
Accounts Receivable, net	1,490,260
Student Loans Receivable, net	67,775
Interest Receivable	128,149
Inventories	243,224
Prepaid Expenses	16,113
Total current assets	$ 8,458,511
Non-Current Assets	
Long-term investments	$ 17,899,592
Student Loans Receivable	134,942
Capital assets, net of depreciation	24,578,213
Total non-current assets	$ 42,612,747
Total assets	$ 51,071,258
Deferred Outflows of Resources Related to Pensions	805,394
Total assets and deferred outflow of resources	**$ 51,876,652**
Liabilities	
Current Liabilities	
Accounts Payable	$ 304,956
Accrued Liabilities	1,110,517
Compensated Absences	192,130
Deposits Payable	63,141
Unearned Revenue	311,435
Certificates of Participation Payable	290,000
Total current liabilities	$ 2,272,179
Noncurrent Liabilities	
Compensated Absences	$ 892,305
Pension Liability	4,833,790
Long-term liabilities	2,010,000
Total non-current liabilities	$ 7,736,095
Total liabilities	$ 10,008,274
Deferred Inflows of Resources Related to Pensions	$ 483,321
Total liabilites and deferred inflow of resources	**$ 10,491,595**
Net Position	
Net Investment in Capital Assets	$ 22,278,213
Restricted	340,525
Unrestricted	18,766,319
Total Net Position	**$ 41,385,057**

The accompanying notes are an integral part of the financial statements

Big Bend Community College

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

Operating Revenues	
Student tuition and fees, net	$ 4,787,970
Auxiliary enterprise sales	1,679,055
State and local grants and contracts	6,837,347
Federal grants and contracts	2,773,213
Other operating revenues	293,533
Total operating revenue	$ 16,371,118
Operating Expenses	
Salaries and wages	$ 13,131,261
Benefits	4,202,244
Other Expenses	5,130,590
Scholarships and fellowships	4,052,983
Supplies and materials	1,991,001
Depreciation	1,219,053
Purchased services	886,652
Utilities	638,311
Total operating expenses	$ 31,252,095
Operating income (loss)	$ (14,880,977)
Non-Operating Revenues (Expenses)	
State appropriations	$ 11,044,607
Federal Pell grant revenue	3,645,251
Investment income, gains and losses	157,537
Interest on loans to students	1,268
Building fee remittance	(578,586)
Innovation fund remittance	(133,401)
Interest on indebtedness	(110,000)
Net non-operating revenues	$ 14,026,676
Income or (loss) before capital appropriations	$ (854,301)
Capital appropriations	$ 2,834,861
Increase (Decrease) in net position	$ 1,980,560
Net Position	
Net position, beginning of year	$ 41,024,669
Net position change due to GASB 73	(1,620,172)
Adjusted Net position, beginning of year	$ 39,404,497
Net position, end of year	**$ 41,385,057**

The accompanying notes are an integral part of the financial statements

Big Bend Community College

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

Cash flow from operating activities		
Student tuition and fees	$	4,776,307
Grants and contracts		9,810,199
Payments to vendors		(8,164,212)
Payments for utilities		(696,635)
Payments to employees		(13,098,885)
Payments for benefits		(4,374,673)
Auxiliary enterprise sales		1,654,965
Payments for scholarships and fellowships		(4,052,983)
Loans issued to students and employees		54,531
Collection of loans to students and employees		21,643
Other receipts		296,357
Other payments		(8,597)
Net cash used by operating activities	$	(13,781,983)
Cash flow from noncapital financing activities		
State appropriations	$	11,044,824
Pell grants		3,645,251
Building fee remittance		(577,902)
Innovation fund remittance		(133,223)
Net cash provided by noncapital financing activities	$	13,978,950
Cash flow from capital and related financing activities		
Capital appropriations	$	2,377,432
Purchases of capital assets		(3,133,037)
Principal paid on capital debt		(280,000)
Interest paid		(110,000)
Net cash used by capital and related financing activities	$	(1,145,605)
Cash flow from investing activities		
Purchase of investments	$	(2,433,560)
Gain of investments		157,537
Net cash provided by investing activities	$	(2,276,023)
Increase in cash and cash equivalents	$	(3,224,662)
Cash and cash equivalents at the beginning of the year	$	6,724,652
Cash and cash equivalents at the end of the year	$	3,499,990
Reconciliation of Operating Loss to Net Cash used by Operating Activities		
Operating Loss	$	(14,880,977)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense	$	1,219,053
Changes in assets and liabilities		
Receivables , net	$	172,549
Inventories		15,846
Other assets		2,824
Accounts payable		54,436
Accrued liabilities		(322,517)
Unearned revenue		(8,427)
Compensated absences		(12,876)
Pension liability adjustment expense		(177,714)
Capital asset adjustment		81,816
Deposits payable		(902)
Loans to students and employees		74,905
Net cash used by operating activities	$	(13,781,983)

The accompanying notes are an integral part of the financial statements

Notes to the Financial Statements

June 30, 2017

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Big Bend Community College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers associates degrees, certificates and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate. The College is an agency of the State of Washington. The financial activity of the college is included in the State's Comprehensive Annual Financial Report.

Basis of Presentation

The financial statements have been prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* as amended by GASB Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities.* For financial reporting purposes, the College is considered a special-purpose government engaged only in Business Type Activities (BTA). In accordance with BTA reporting, the College presents a Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements. The format provides a comprehensive, entity-wide perspective of the college's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows. For the financial statements, intra-agency receivables and payables have generally been eliminated. However, revenues and expenses from the College's auxiliary enterprises are treated as though the College were dealing with private vendors. For all other funds, transactions that are reimbursements of expenses are recorded as reductions of expense.

Non-exchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange includes state and federal appropriations, and certain grants and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met.

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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College records all cash, cash equivalents, and investments at amortized cost, which approximates at fair value.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated for general operating needs of the College. The internal investment pool is comprised of cash, cash equivalent, U.S. Treasuries and U.S. Agency securities.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. This also includes amounts due from federal, state and local governments or private sources as allowed under the terms of grants and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

Inventories

Inventories, consisting primarily of merchandise for resale in the college bookstore and course-related supplies, are valued at cost using first-in, first-out inventory method, also known as FIFO.

Capital Assets

In accordance with state law, capital assets constructed with state funds are owned by the State of Washington. Property titles are shown accordingly. However, responsibility for managing the assets rests with the College. As a result, the assets are included in the financial statements because excluding them would have been misleading.

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives are generally 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

In accordance with GASB Statement No. 42, the college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2017, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. Unearned revenues also include tuition and fees paid with financial aid funds. The College has recorded summer and fall quarter tuition and fees, as unearned revenues.

Tax Exemption

The College is a tax-exempt organization under the provisions of Section 115 (1) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Net Pension Liability

For purposes of measuring the net pension liability in accordance with GASB 68, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. 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. In FY17, the College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 (Accounting and Financial Reporting for Pensions).* The reporting requirements are similar to GASB 68 but use current fiscal year end as the measurement date for reporting the pension liabilities.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent consumption of net position that is applicable to a future period. Deferred inflows of resources represent acquisition of net position that is applicable to a future period. Changes in net position liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Net Position

The College's net position is classified as follows.

- *Net Investment in Capital Assets*. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted for Nonexpendable*. This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principle.

- *Restricted for Loans*. The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.
- *Restricted for Expendable*. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
- *Unrestricted*. These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues and Expenses
The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts that primarily support the operational/educational activities of the colleges. Examples include a contract with Office of Superintendent of Public Instruction (OSPI) to offer Running Start and/or Technical High School. The college also receives Adult Basic Education grants that support the primary educational mission of the college.

Operating Expenses. Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation.

Non-operating Revenues. This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government.

Non-operating Expenses. Non-operating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on the Certificate of Participation Loans.

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2017 are $3,109,573.

State Appropriations
The State of Washington appropriates funds to the College on both an annual and biennial basis. These revenues are reported as non-operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position, and recognized as such when the related expenses are incurred.

Building and Innovation Fee Remittance
Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature and is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the Statement of Revenues, Expenses and Changes in Net Position.

2. Accounting and Reporting Changes
In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is intended to improve financial reporting of governments whose employees are provided with pensions that are not within the scope of Statement No. 68, improve the usefulness of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions not within the scope of Statement No. 68, and to clarify the application of certain provisions of Statements No. 67 and 68. In addition, it establishes requirements for defined contribution plans that are not within the scope of Statement 68. GASB 73 is effective for fiscal years beginning after June 15, 2016. The College has implemented this pronouncement during the 2017 fiscal year. The College recorded a beginning balance adjustment to long-term obligations of $1,620,172 as a result of the implementation of GASB Statement No. 73.

Accounting Standard Impacting the Future
In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), which will be in effect for the fiscal year ending June 30, 2018. This Statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employer through plans that are administered through trusts or equivalent arrangements. This Statement also establishes standards of accounting and financial reporting for OPEB plans that are not administered through trusts or equivalent arrangements. The College's participation in OPEB is described in Note 18, and does not currently impact the College's financial statements. As a result of implementing this Statement, the College will be required to recognize its proportionate share of the state's actuarially determine OPEB liability, net of any assets segregated and restricted in a qualified trust, together with any associated deferred inflows and deferred outflows of resources, benefit expense related to the plan, and to restate net position for all periods presented. This Statement will have a significant impact on the College's financial statements.

3. Cash and Investments

Cash and cash equivalents include bank demand deposits, petty cash held at the College and unit shares in the Local Government Investment Pool (LGIP). The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17 CFR 270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both the market and credit risk. The LGIP is an unrated investment pool.

The LGIP portfolio is invested in a manner that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that wish to measure all of its investments at amortized costs. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, Washington 98504-0200, or online at: http://tre.wa.gov/wp-content/uploads/lgipCafrFY17.pdf. In addition, more information is available regarding the LGIP in the Washington State Consolidated Annual Financial report, which can be found online at https://ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report.

The College can contribute or withdraw funds in any amount from the LGIP on a daily basis. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The College adjusts its LGIP investment amounts monthly to reflect interest earnings as reported from the Office of the State Treasurer.

As of June 30, 2017, the carrying amount of the College's cash and equivalents was $3,499,990 as represented in the table below.

Cash and Cash Equivalents	**June 30, 2017**
Petty Cash and Change Funds	$3,111
Bank Demand and Time Deposits	$896,712
Local Government Investment Pool	$2,600,167
Total Cash and Cash Equivalents	**$3,499,990**

Custodial Credit Risks—Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The majority of the College's demand deposits are with the US Bank. All cash and equivalents, except for change funds and petty cash held by the College, are insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC).

Investments

Fair Value Hierarchy

Fair value measurement determination is based on the assumptions that market participants would use in pricing the asset. Fair value is described as an exit price. As such, the fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the College's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs) as a basis for considering market participant assumptions in fair value measurement. The fair value hierarchy prioritizes the inputs discussed about as follows:

> *Level 1 inputs (quoted market prices)* – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date (for example prices derived from HYSE, NASDAQ, and the Chicago Board of Trade). Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment. If a level 1 input is available for a particular investment, it must be used to value that investment.
>
> *Level 2 inputs (observable inputs)* – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed on market data obtained from sources independent of the College (e.g. matrix pricing, yield curves, and indices).
>
> *Level 3 inputs* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Unobservable inputs are those that reflect the College's own assumptions about the assumptions that market participants would use in pricing the asset developed, based on the best information available in the circumstance (e.g. investment manager pricing for private placements, private equities, and hedge funds).

The College categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. All of the College's investments fall within the hierarchy of Level 1.

College Investment by Type

Investments are classified as cash equivalents and short-term or long-term investments. The carrying amount of College invested assets includes cash equivalents and long-term investments as represented below.

Investment Maturities	Fair Value	One Year or Less	1 - 5 Years	6 - 10 Years	10 or More Years
Cash Equivalents					
Local Government Investment Pool	$ 2,600,167	$ 2,600,167			
Long-term investments					
U.S. Agency Securities	$ 20,912,592	$ 3,013,000	$ 17,899,592		
Total College Investments	**$ 23,512,759**				

Interest Rate Risk—Investments
The College manages its exposure to fair value losses resulting from changes in interest rates by structuring the entire portfolio time horizon. Unless matched to a specific cash flow, the college generally will not directly invest in securities maturing more than five years from the date of purchase.

Concentration of Credit Risk—Investments
State law limits College operating investments to the highest quality sectors of the domestic fixed income market and specifically excludes corporate stocks, corporate and foreign bonds, futures contracts, commodities, real estate, limited partnerships and negotiable certificates of deposit. College policy does not limit the amount the College may invest in any one issuer.

Custodial Credit Risk—Investments
Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2017, the College did not have any investments subject to custodial credit risk. All investments held by US Bank Safekeeping are in the name of the College.

Investment Expenses
Under implementation of GASB 35, investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2017 were $212.

4. Accounts Receivable
Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2017, accounts receivable were as follows.

Accounts Receivable	Amount
Student Tuition and Fees	$ 25,890
Due from the Federal Government	$ 86,643
Due from the office of the state treasurer	$ 636,777
Due from other state agencies	$ 648,701
Auxiliary Enterprises	$ 39,758
Interest Receivable	$ 52,621
Other	$ 1,636
Subtotal	$ 1,492,025
Less Allowance for Uncollectible Accounts	$ (1,765)
Accounts Receivable, net	**$ 1,490,260**

5. Loans Receivable

Loans receivable as of June 30, 2017 consisted primarily of student loans, as follows.

Loans Receivable	Amount
Student Loans Receivable	$ 71,862
Long-Term Student Loans Receivable	$ 134,942
Subtotal	$ 206,804
Less Allowance for Uncollectible Accounts	$ (4,086)
Loans Receivable, net	**$ 202,717**

6. Inventories

Inventories, stated at cost using FIFO, consisted of the following as of June 30, 2017.

Inventories	Amount
Consumable Inventories	$ 3,337
Merchandise Inventories	$ 239,888
Inventories	**$ 243,224**

7. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2017 is presented as follows. The current year depreciation expense was $1,219,053. The $28,055 reported as retirements in building and other improvements and infrastructure depreciation is for an adjustment a prior year off-book asset so that the ending depreciation balance agrees to the general ledger and fixed assets system.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	$ 51,700	$ -	$ -	$ 51,700
Construction in progress	303,830	1,361,270	0	1,665,100
Total nondepreciable capital assets	355,530	1,361,270	0	1,716,800
Depreciable capital assets				
Buildings	33,415,363	714,633	0	34,129,996
Other improvements and infrastructure	995,871	545,590	0	1,541,461
Equipment	8,939,451	465,503	(44,743)	9,360,211
Library resources	1,701,390	13,735	(101,564)	1,613,561
Subtotal depreciable capital assets	45,052,075	1,739,461	(146,307)	46,645,229
Less accumulated depreciation				
Buildings	12,637,322	751,374	(18,052)	13,370,644
Other improvements and infrastructure	821,203	55,121	(10,003)	866,321
Equipment	7,588,910	407,361	(25,141)	7,971,130
Library resources	1,672,087	5,197	(101,563)	1,575,721
Total accumulated depreciation	22,719,522	1,219,053	(154,759)	23,783,816
Total depreciable capital assets	22,332,553	520,408	8,452	22,861,413
Capital assets, net of accumulated depreciation	**$ 22,688,083**	**$ 1,881,678**	**$ 8,452**	**$ 24,578,213**

8. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The category of deferred outflow of resources reported in statement of net position relates to pensions.

Deferred outflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. State contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by the College relate to pensions.

Deferred inflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

9. Accrued Liabilities
At June 30, 2017, accrued liabilities are the following.

Accrued Liabilities	Amount
Amounts Owed to Employees	$ 525,166
Amounts Held for Others and Retainage	$ 585,351
Total	**$ 1,110,517**

10. Unearned Revenue
Unearned revenue is comprised of receipts which have not yet met revenue recognition criteria, as follows:

Unearned Revenue	Amount
Summer and Fall Quarter Tuition & Fees	$ 311,435
Total Unearned Revenue	$ 311,435

11. Risk Management
The College is exposed to various risk of loss related to tort liability, injuries to employees, errors and omissions, theft of, damage to, and destruction of assets, and natural disasters. The College purchases insurance to mitigate these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks.

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college does not have a liability for unpaid claims, the claims are paid by the Employment Security Department and then the college reimburses them quarterly. Payments made for claims from July 1, 2016 through June 30, 2017, were $34,917.

The College purchases commercial property insurance through the master property program administered by the Department of Enterprise Services for buildings that were acquired with COP proceeds. The policy has a deductible of $250,000 per occurrence and the policy limit is $100,000,000 per occurrence. The college has had no claims in excess of the coverage amount within the past four years. The College assumes its potential property losses for most other buildings and contents.

The College participates in a State of Washington risk management self-insurance program, which covers its exposure to tort, general damage and vehicle claims. Premiums paid to the State are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. Coverage is provided up to $10,000,000 for each claim with no deductible. The college has had no claims in excess of the coverage amount within the past four years.

12. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $543,337, and accrued sick leave totaled $348,968 at June 30, 2017. The College calculated accrued vacation and sick leave balances for staff retirements for the upcoming fiscal year at $192,130 as a short-term current liability.

Accrued annual and sick leave are categorized as non-current liabilities.

13. Notes Payable

In April 2004, the College obtained financing in order to build the Grant County Advanced Technologies Education Center (GCATEC) Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $5,290,000. In March 2013, the College refinanced this COP with OST for the remaining balance of $3,105,000; saving the College about $335,837. Outside sources along with payments from our Bookstore and other auxiliary services assist with the payment of this payable. The interest rate charged is 1.97%.

In September 2013, the College obtained financing in order to install energy efficient upgrades to our outside lighting through a COP. The vendor guaranteed saving from the energy improvements are used as the repayment mechanism. The original amount of the debt is for $195,000 and the interest rate charged is 3.05%.

The College's debt service requirements for these note agreements for the next five years and thereafter are as follows:

14. Annual Debt Service Requirements

Future debt service requirements at June 30, 2017 are as follows.

Annual Debt Service Requirements			
Certificates of Participation			
Fiscal year	**Principal**	**Interest**	**Total**
2018	290,000	96,150	$ 386,150
2019	300,000	81,650	$ 381,650
2020	315,000	69,500	$ 384,500
2021	320,000	56,750	$ 376,750
2022	340,000	43,800	$ 383,800
2023-2025	735,000	46,800	$ 781,800
Total	**2,300,000**	**394,650**	**2,694,650**

15. Schedule of Long Term Liabilities

	Balance outstanding 6/30/16	Additions	Reductions	Balance outstanding 6/30/17	Current portion
Certificates of Participation	$ 2,580,000	0	(280,000)	2,300,000	290,000
Compensated Absences	$ 1,097,310	573,023	(585,899)	1,084,434	192,130
Net Pension Liability	$ 3,102,076	1,731,714	0	4,833,790	0
Total	**$ 6,779,386**	**$2,304,737**	**$ (865,899)**	**$ 8,218,224**	**$ 482,130**

16. Pension Liability

Pension liabilities reported as of June 30, 2017 consists of the following:

Pension Liability by Plan		
PERS 1	$	1,614,202
PERS 2/3		1,638,414
TRS 1		212,331
TRS 2/3		67,498
SBRP		1,301,345
Total	**$**	**4,833,790**

17. Retirement Plans

A. General

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) plans are cost sharing multiple employer defined benefit pension plans administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan (SBRP) is a defined contribution single employer pension plan with a supplemental payment when required. SBRP is administered by the State Board for Community and Technical Colleges (SBCTC) and available to faculty, exempt administrative and professional staff of the state's public community and technical colleges. The College reports its proportionate share of the total pension liability as it is a part of the college system.

For FY2017, the payroll for the College's employees was $3,368,297 for PERS, $348,631 for TRS, and $7,823,950 for SBRP. Total covered payroll was $11,540,878.

Big Bend Community College implemented Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions for the fiscal year 2015 financial reporting. The College's defined benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the State Board Retirement Plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB. In accordance with Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities to align with the State CAFR.

The College implemented Statement No. 73 of the Governmental Accounting Standards Board (GASB*) Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* for the fiscal year 2017 financial reporting. The College has elected to use the current fiscal year end as the measurement date for reporting net pension liabilities for the State Board Retirement Plan in alignment with the State CAFR.

Basis of Accounting

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. 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 all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 and No. 73 for Big Bend Community College, for fiscal year 2017:

Aggregate Pension Amounts - All Plans

Pension liabilities	$ 4,833,790
Deferred outflows of resources related to pensions	$ 805,394
Deferred inflows of resources related to pensions	$ 483,321
Pension expense	$ 177,714

As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (on a pay as you go basis) which is administered by the state. The College implemented Statement No. 73 of the Governmental Accounting Standards Board (GASB) Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 for the fiscal year 2017 financial reporting. The College has elected to use the current fiscal year end as the measurement date for reporting net pension liabilities for the State Board Supplemental Retirement Plan in alignment with the State CAFR. The measurement date for Department of Retirement Systems plans are reported using June 30, 2016.

B. College Participation in Plans Administered by the Department of Retirement Systems

PERS and TRS

Plan Descriptions. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested after five years of eligible service. PERS Plan 3 has a defined contribution component that members may elect to self-direct as established by the Employee Retirement Benefits Board. PERS 3 defined benefit plan benefits are vested after an employee completes five years of eligible service.

TRS Plan 3 provides retirement benefits to certain eligible faculty hired on or after October 1, 1977. The plan includes both a defined benefit portion and a defined contribution portion. The defined benefit portion is funded by employer contributions only. Benefits are vested after an employee completes five or ten years of eligible service, depending on the employee’s age and service credit, and include an annual cost-of living adjustment. The defined contribution component is fully funded by employee contributions and investment performance.

The college also has 2 part-time faculty members with pre-existing eligibility who continue to participate in TRS 1 or 2.

The authority to establish and amend benefit provisions resides with the legislature. PERS and TRS issue publicly available financial reports that include financial statements and required supplementary information. The report may be obtained by writing to the Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at http://www.drs.wa.gov/administration.

Funding Policy. Each biennium, the state Pension Funding Council adopts PERS and TRS Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for PERS and TRS Plans 1 are established by statute. By statute, PERS 3 employees may select among six contribution rate options, ranging from 5% to 15%.

The required contribution rates expressed as a percentage of current year covered payroll are shown in the table below. The College and the employees made 100% of required contributions.

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2017, 2016, and 2015 are as follows.

Contribution Rates at June 30

	FY 2015		FY 2016		FY 2017	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	9.21%	6.00%	11.18%	6.00%	11.18%
Plan 2	4.92%	9.21%	6.12%	11.18%	6.12%	11.18%
Plan 3	5 - 15%	9.21%	5 - 15%	11.18%	5 - 15%	11.18%
TRS						
Plan 1	6.00%	10.39%	6.00%	10.39 - 13.13%	6.00%	13.13%
Plan 2	4.96%	10.39%	4.96 - 5.95%	10.39 - 13.13%	5.95%	13.13%
Plan 3	5 - 15%	10.39%	5 - 15%	10.39 - 13.13%	5-15%	13.13%

Required/Actual Contributions

	FY2015		FY2016		FY2017	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$ 17,227	$ 27,212	$ 14,477	$ 26,975	$ 13,597	$ 24,929
Plan 2	$ 102,648	$ 200,971	$ 129,624	$ 236,798	$ 137,760	$ 247,605
Plan 3	$ 53,108	$ 73,342	$ 59,484	$ 103,493	$ 54,811	$ 97,977
TRS						
Plan 1	$ 4,708	$ 8,152	$ 2,199	$ 4,467	$ 1,322	$ 2,854
Plan 2	$ 2,486	$ 5,207	$ 1,627	$ 3,552	$ 1,297	$ 2,823
Plan 3	$ 19,400	$ 26,896	$ 15,801	$ 25,643	$ 26,114	$ 39,470

Investments

The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB adopted investment policies for the various asset classes in which the WSIB invests.

For the year ended June 30, 2016, the annual money-weighted rate of return on the pension investments, net of pension plan expenses are as follows:

Pension Plan	Rate of Return
PERS Plan 1	2.19%
PERS Plan 2/3	2.47%
TRS Plan 1	2.09%
TRS Plan 2/3	2.51%

These money-weighted rates of return express investment performance, net of pension plan investment expense, and reflects both the size and timing of cash flows.

The PERS and TRS target asset allocation and long-term expected real rate of return as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
Total	**100%**	

The inflation component used to create the above table is 2.20% and represents WSIB's most recent long-term estimate of broad economic inflation.

Pension Expense

Pension expense is included as part of "Employee Benefits" expense in the statement of revenues, expenses and changes in net position. The table below shows the components of each pension plans expense as it affected employee benefits:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
FY16 Pension Expense	94,413	223,513	13,635	18,404	349,965
FY17 Amortization of change in proportionate liability	(21,241)	(16,254)	(120,623)	(6,771)	(164,889)
FY16 Amortization of change in proportionate liability		4,851			4,851
Total Pension Expense	**73,172**	**212,110**	**(106,988)**	**11,633**	**189,927**

Changes in Proportionate Shares of Pension Liabilities

The changes to the College's proportionate share of pension liabilities from 2015 to 2016 for each retirement plan are listed below:

	2015	2016
PERS 1	0.030442%	0.030057%
PER 2/3	0.032049%	0.032541%
TRS 1	0.009764%	0.006219%
TRS 2/3	0.006543%	0.004915%

The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating state agencies, actuarially determined.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 3.00%
- Salary Increases 3.75%
- Investment rate of return 7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Discount Rate

The discount rate used to measure the total pension liability was 7.5%, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements.

Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability).

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 of 7.5% on pension plan investments was applied to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate
The following presents the net pension liability of the College calculated using the discount rate of 7.50%, as well as what the College's 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.

Pension Plan	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS Plan 1	1,946,566	1,614,202	1,328,183
PERS Plan 2/3	3,016,614	1,638,414	(852,889)
TRS Plan 1	261,120	212,331	170,393
TRS Plan 2/3	152,756	67,498	(78,412)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions
The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2017:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 87,244	$ 54,087
Difference between expected and actual earnings of pension plan investments	$ 40,643	$ -	$ 200,495	$ -
Changes of Assumptions	$ -	$ -	$ 16,934	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ 15,524	$ 27,966
Contributions to pension plans after measurement date	$ 177,043	$ -	$ 199,293	$ -
	$ 217,686	**$ -**	**$ 519,490**	**$ 82,053**

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 5,106	$ 2,995
Difference between expected and actual earnings of pension plan investments	$ 6,735	$ -	$ 10,865	$ -
Changes of Assumptions	$ -	$ -	$ 687	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ -	$ 25,928
Contributions to pension plans after measurement date	$ 23,136	$ -	$ 21,688	$ -
	$ 29,871	**$ -**	**$ 38,347**	**$ 28,923**

The total amount reported of $805,394 as deferred outflows of resources represent contributions the College made, but only $421,160 is for contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2017.

Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year ended June 30	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2018	(10,007)	(10,270)	(1,741)	(6,971)
2019	(10,007)	(4,136)	(1,741)	(6,971)
2020	37,326	156,558	6,301	2,397
2021	23,331	95,993	3,915	743
2022	-	-	-	(1,463)
2023	-	-	-	-
Total	**$ 40,643**	**$ 238,145**	**$ 6,734**	**$ (12,265)**

C. College Participation in Plan Administered by the State Board for Community and Technical Colleges

State Board Retirement Plan (SBRP) – Supplemental Defined Benefits Plans

Plan Description.

The State Board Retirement Plan is a privately administered single-employer defined contribution plan with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. Big Bend Community College participates in this plan as authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer. State Board makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2017 were $655,432 for employer and $655,645 for employee.

Benefits Provided. The State Board Supplemental Retirement Plans provide retirement, disability, and death benefits to eligible members. As of July 1, 2011, all the Supplemental Retirement Plans were closed to new entrants.

Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount a member's goal income exceeds their assumed income. The monthly goal income is the one-twelfth of 2% of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of fifty percent of the member's average annual salary). The member's assumed income is an annuity benefit the retired member would receive from their defined contribution Retirement Plan benefit in the first month of retirement had they invested all employer and member contributions equally between a fixed income and variable income annuity investment. Plan members have the option to retire early with reduced benefits.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2017, supplemental benefits were paid by the SBCTC on behalf of the system as a total in the amount of $902,000. The College's share of this amount is $12,349. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2017, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $39,120. As of June 30, 2017, the SBCTC system accounted for $13,280,150 of the fund balance.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2017, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.50% - 4.25%
Fixed Income and Variable Income Investment Returns	4.25%-6.25%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Most actuarial assumptions used in the June 30, 2016, valuation were based on the results of the April 2016 Supplemental Plan Experience Study. Additional assumptions related to the fixed income and variable income investments were based on feedback from financial administrators of the State Board Supplemental Retirement Plans.

Material assumption changes bring the measurement period include the discount rate increase from 2.85% to 3.58% and the variable income investment return assumption dropping from 6.75% to 6.25%.

Discount Rate
The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.58% for the June 30, 2017, measurement date.

Pension Expense
For the year ended June 30, 2017, the College reported $65,868 for pension expense in the State Board Supplemental Retirement Plans.

Proportionate Shares of Pension Liabilities
The College's proportionate share of pension liabilities for fiscal year ending June 30, 2017 was 1.37%. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating College's, actuarially determined.

Plan Membership
Membership of the State Board Supplemental Retirement Plans consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Number of Participating Members				
District	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
Big Bend	18	0	72	72

Change in Total Pension Liability/ (Asset)
The following table presents the change in total pension liability/(asset) of State Board Supplemental Retirement Plans at June 30, 2017, the latest measurement date for all plans (expressed in thousands):

Change in Total Pension Liability/(Asset)	
Total Pension Liability	
Service Cost	$ 74
Interest	48
Changes of benefit terms	-
Differences between expected and acutal experience	(347)
Changes of assumptions	82
Benefit Payments	12
Other	-
Net Change in Total Pension Liability	(319)
Total Pension Liability - Beginning	1,621
Toal Pension Liability - Ending (a)	1,302

Sensitivity of the Total Pension Liability/ (Asset) to Changes in the Discount Rate
The following table presents the total pension liability/(asset), calculated using the discount rate of 3.58%, as well as what the employers' total pension liability/(asset) would be if it were calculated using a discount rate that is 1% point lower (2.58%) or 1% point higher (4.58%) than the current rate (expressed in thousands):

Total Pension Liability/(Asset)	1% Decrease	Current Discount Rate	1% Increase
State Board of Communtiy and Technical Colleges (SBCTC)	$ 1,496	$ 1,302	$ 1,142

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2017, the State Board Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

State Board for Community and Technical Colleges (SBCTC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 301
Changes in assumptions	-	71
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 372

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

State Board for Community and Technical Colleges (SBCTC)	
2018	(56)
2019	(56)
2020	(56)
2021	(56)
2022	(56)
Thereafter	(90)

D. Defined Contribution Plans

Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS).

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5% to 15% of salaries, based on member choice. Members who do not choose a contribution rate default to a 5% rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from PERS-covered employment.

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer Note 11.B for TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5% to 15% of salaries, based on member choice. Members who do not choose a contribution rate default to a 5% rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from TRS-covered employment.

Washington State Deferred Compensation Program
The College, through the state of Washington, offers its employees a deferred compensation plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their salary until future years. The state of Washington administers the plan on behalf of the College's employees. The deferred compensation is not available to employees until termination, retirement or unforeseeable financial emergency. The College does not have access to the funds nor do they contribute to the program, only the employee contributes.

18. Other Post-Employment Benefits
Health care and life insurance programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the statewide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employee.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The health care premiums for active employees, which are paid by the agency during the employees' working careers, subsidize the "underpayments" of retirees. An additional factor in the Other Post-Employment Benefits (OPEB) obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit" subsidy). This explicit subsidy is also passed through to state agencies via active employee rates charged to the agency. There is no formal state or College plan that underlies the subsidy of retiree health and life insurance.

The actuary allocated the statewide disclosure information to the community and technical college system level. The SBCTC further allocated these amounts among the colleges. The College's share of the GASB 45 actuarially accrued liability (AAL) is $9,229,675, with an annual required contribution (ARC) of $831,613. The ARC represents the amortization of the liability for FY 2017 plus the current expense for active employees, which is reduced by the current contributions of approximately $178,432. The College's net OPEB obligation at June 30, 2017 was approximately $2,432,771. This amount is not included in the College's financial statements.

The College paid $2,229,322 for healthcare expenses in 2017, which included its pay-as-you-go portion of the OPEB liability.

19. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, institutional, and academic support. The following table lists operating expenses by program for the year ending June 30, 2017.

Expenses by Functional Classification	
Instruction	$ 9,442,393
Academic Support Services	1,714,543
Student Services	2,260,731
Institutional Support	3,254,218
Operations and Maintenance of Plant	3,436,014
Scholarships and Other Student Financial Aid	3,534,723
Auxiliary Enterprises	2,668,885
Library	455,216
Ancillary Support Services	3,266,319
Depreciation	1,219,053
Total Operating Expenses	**$ 31,252,095**

20. Commitments and Contingencies

There is a class action lawsuit, *Moore v. HCA*, filed against the State of Washington on behalf of former part-time and non-permanent employees alleging improper denial of healthcare benefits. As of the end of fiscal year 2016, the parties had reached a settlement agreement with the plaintiffs to settle all matters relating to this and related lawsuits.

On March 29th 2016, the legislature passed the supplemental budget, which included an appropriation to fund the settlement for the *Moore v. HCA* lawsuit. SBCTC's portion of this obligation is $32 million of which $19 million is funded by the legislature and the remaining $13 million allocated among 34 colleges in the system. In July 2016, the College was assessed and paid the liability in the amount of $350,032, which resolves this issue.

Additionally, the College is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial statement. Therefore, an estimated liability has not been recorded.

The College has a commitment of $6,000,000 for the completion of the second floor for the construction of our capital project that was approved by the SBCTC in September 2016. Construction for the Professional-Technical Education Center will begin Spring 2018.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Big Bend Community College's Proportionate Share of the Net Pension Liability

Schedule of Big Bend Community College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.031105%	$ 1,566,929	$ 3,070,117	51.04%	61.19%
2015	0.030442%	$ 1,592,400	$ 3,129,290	50.89%	59.10%
2016	0.030057%	$ 1,614,202	$ 3,275,409	49.28%	57.03%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

*These schedules are to be built prospectively until they contain 10 years of data.

Cost Sharing Employer Plans

Schedules of Big Bend Community College's Proportionate Share of the Net Pension Liability

Schedule of Big Bend Community College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.032470%	$ 656,336	$ 2,779,497	23.61%	93.29%
2015	0.032049%	$ 1,145,129	$ 2,845,181	40.25%	89.20%
2016	0.032541%	$ 1,638,414	$ 3,032,959	54.02%	85.82%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

*These schedules are to be built prospectively until they contain 10 years of data.

Cost Sharing Employer Plans

Schedules of Big Bend Community College’s Proportionate Share of the Net Pension Liability

Schedule of Big Bend Community College's Share of the Net Pension Liability Teachers’ Retirement System (TRS) Plan 1 Measurement Date of June 30					
Fiscal Year	College’s proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College’s proportionate share of the net pension liability as a percentage of its covered payroll	Plan’s fiduciary net position as a percentage of the total pension liability
2014	0.011501%	$ 339,217	$ 427,282	79.39%	68.77%
2015	0.009760%	$ 309,337	$ 384,287	80.50%	65.70%
2016	0.621900%	$ 212,331	$ 278,635	76.20%	62.07%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

*These schedules are to be built prospectively until they contain 10 years of data.

Cost Sharing Employer Plans

Schedules of Big Bend Community College's Proportionate Share of the Net Pension Liability

Schedule of Big Bend Community College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.008091%	$ 26,133	$ 346,410	7.54%	96.81%
2015	0.006543%	$ 55,210	$ 305,941	18.05%	92.48%
2016	0.004915%	$ 67,498	$ 239,543	28.18%	88.72%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

*These schedules are to be built prospectively until they contain 10 years of data.

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions

Public Employees' Retirement System (PERS) Plan 1

Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 137,683	$ 137,683	$ -	$ 3,070,117	4.48%
2015	$ 139,914	$ 139,914	$ -	$ 3,129,290	4.47%
2016	$ 170,448	$ 170,448	$ -	$ 3,275,409	5.20%
2017	$ 174,788	$ 174,788	$ -	$ 3,368,297	5.19%
2018					
2019					
2020					
2021					
2022					
2023					

Notes: These schedules will be built prospectively until they contain 10 years of data.

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 137,166	$ 137,166	$ -	$ 2,779,497	4.93%
2015	$ 142,763	$ 142,763	$ -	$ 2,845,181	5.02%
2016	$ 187,859	$ 187,859	$ -	$ 3,032,959	6.19%
2017	$ 195,723	$ 195,723	$ -	$ 3,141,670	6.23%
2018					
2019					
2020					
2021					
2022					
2023					

Notes: These schedules will be built prospectively until they contain 10 years of data.

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 22,743	$ 22,743	$ -	$ 427,282	5.32%
2015	$ 21,848	$ 21,848	$ -	$ 384,287	5.69%
2016	$ 15,232	$ 15,232	$ -	$ 278,635	5.47%
2017	$ 23,201	$ 23,201	$ -	$ 348,631	6.65%
2018					
2019					
2020					
2021					
2022					
2023					

Notes: These schedules will be built prospectively until they contain 10 years of data.

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 19,854	$ 19,854	$ -	$ 346,410	5.73%
2015	$ 17,387	$ 17,387	$ -	$ 305,941	5.68%
2016	$ 19,711	$ 19,711	$ -	$ 239,543	8.23%
2017	$ 21,947	$ 21,947	$ -	$ 326,592	6.72%
2018					
2019					
2020					
2021					
2022					
2023					

Notes: These schedules will be built prospectively until they contain 10 years of data.

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Total Pension Liability and Related Ratios Big Bend Community College Fiscal Year Ended and Measurement Date June 30 *(Expressed in thousands)*	
	2017
Total Pension Liability	
Service Cost	$ 74
Interest	48
Changes of benefit terms	-
Differences between expected and actual experience	(347)
Changes of assumptions	(82)
Benefit Payments	(12)
Other	-
Net Change in Total Pension Liability	**(319)**
Total Pension Liability - Beginning	**1,621**
Total Pension Liability - Ending	**$ 1,302**

Notes: These schedules will be built prospectively until they contain 10 years of data.

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

The State Board Supplemental Retirement Plans are financed on a pay-as-you-go basis. State Board makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, salary growth and the variable income investment return.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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