Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Columbia Basin College

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

Published March 5, 2018

Report No. 1020855

Office of the Washington State Auditor

Pat McCarthy

March 5, 2018

Board of Trustees
Columbia Basin College
Pasco, Washington

Report on Financial Statements

Please find attached our report on the Columbia Basin College's financial statements

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

Sincerely,

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

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Columbia Basin College
July 1, 2016 through June 30, 2017

Board of Trustees
Columbia Basin College
Pasco, 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 business-type activities and the aggregate remaining fund information of the Columbia Basin College, 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 February 26, 2018.

Our report includes a reference to other auditors who audited the financial statements of the Columbia Basin College Foundation, as described in our report on the College's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Columbia Basin College Foundation were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting internal control over financial reporting or instances of reportable noncompliance associated with the Columbia Basin College Foundation.

The financial statements of the Columbia Basin 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 opinions 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

February 26, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Columbia Basin College
July 1, 2016 through June 30, 2017

Board of Trustees
Columbia Basin College
Pasco, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Columbia Basin College, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Columbia Basin College Foundation, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amount included for the Columbia Basin College Foundation, is based solely on the report of the other auditors.

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. The financial statements of the Columbia Basin College Foundation were not audited in accordance with Government Auditing Standards.

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 opinions.

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Columbia Basin College, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Columbia Basin 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 February 26, 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

State Auditor

Olympia, WA

February 26, 2018

FINANCIAL SECTION

Columbia Basin College
July 1, 2016 through June 30, 2017

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Management's Discussion and Analysis

Columbia Basin College

The following discussion and analysis provides an overview of the financial position and activities of Columbia Basin 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

Columbia Basin 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 11,342 students. The College confers baccalaureate degrees, associates degrees, certificates and high school diplomas. The College was established in 1955 and its primary purpose is to be an engine for social mobility through higher education, the foundation for which is an open access policy that seeks to eliminate barriers to matriculation, retention, and graduation of residents.

The College's main campus is located in Pasco, Washington, a community of about 68,000 residents. The College also has operations in Richland, WA. 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. In accordance with Washington State law governing technical colleges, the College's board includes one member from business and one member from labor. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit. 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.

Statement of Net Position

The Statement of Net Position provides information about the College's financial position, and presents the College's assets, liabilities, and net position at year-end and includes all assets and liabilities of the College. 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		25,205,300		40,809,672
Capital Assets, net		107,730,793		90,489,064
Other Assets, non-current		9,971,335		4,000,000
Total Assets	**$**	**142,907,428**	**$**	**135,298,736**
Deferred Outflows	**$**	**1,594,014**	**$**	**981,048**
Liabilities				
Current Liabilities		7,685,264		9,363,453
Other Liabilities, non-current		19,787,149		11,702,708
Total Liabilities	**$**	**27,472,414**	**$**	**21,066,161**
Deferred Inflows	**$**	**912,584**	**$**	**697,547**
Net Position	**$**	**116,116,444**	**$**	**114,516,076**

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The current assets decreased approximately by $15.6 million due to decrease in cash and cash equivalents, resulting from the purchase of long-term investments and the expenses for various capital projects.

Net capital assets increased by $17.2 million from FY 2016 to FY 2017. The significant increase is the result of completing construction of Social Sciences & World Languages Center in December 2016, and the construction in progress of Columbia Basin College Wortman Medical Science Center which is expected to be completed in July 2017 respectively.

Non-current assets consist primarily of the long-term portion of certain investments.

Deferred outflows of resources and deferred inflows of resources represent pension-related deferrals associated with the implementation of GASB Statement No. 68 in FY2015 and GASB Statement No. 73 in FY2017.

The College recorded $1,594,014 in FY2017 and $981,048 in FY2016 of pension-related deferred outflows. Also, the College recorded $912,584 in FY2017 and $697,547 in FY2016 of pension-related deferred inflows. The increase in deferred outflows and inflows reflect the College's proportionated 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.

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 from FY 2016 to FY 2017 decreased approximately by $1.7 million. 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.

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 Pension Liabilities. The change in non-current liabilities are primarily due to decrease as the College pays down the principal owed on Certificates of Participation debt. The College's non-current liabilities increased primarily due to the implementation of GASB Statement No. 68 and GASB 73, reflecting the College's proportionate share of the net pension liability.

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 three 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 below.

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 expenses 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 and financial aid.

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	97,443,219	84,248,092
Restricted		
Expendable (description)	642,559	497,782
Unrestricted	18,030,667	29,770,202
Net Position	**116,116,444**	114,516,076
Net position change due to GASB 73*		(3,505,453)
Total Net Position	**116,116,444**	**111,010,623**

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.

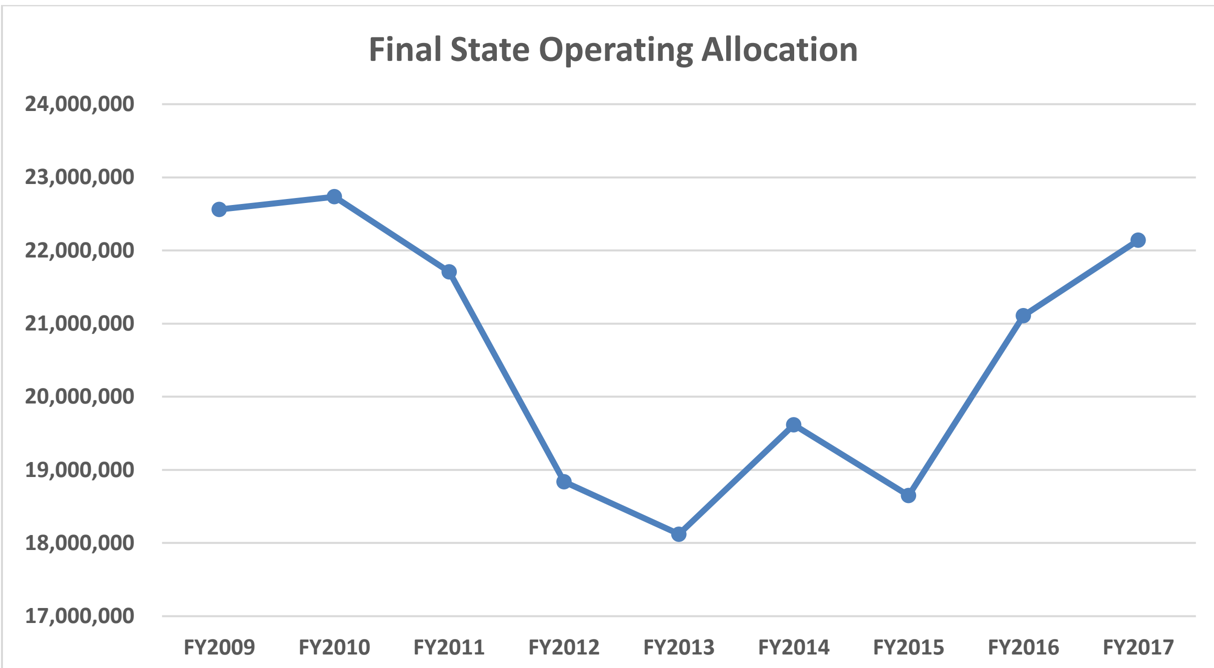
Operating expenses are expenses incurred in the normal operation of the College, including depreciation on property and equipment assets. When operating revenues, excluding state appropriations and Pell Grants, are measured against operating expenses, the College always shows an operating loss. The operating 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, expense and changes in net position for the years ended June 30, 2017 and 2016 is presented below.

As of June 30th	**FY2017**	**FY 2016**
Operating Revenues	34,593,527	29,870,123
Operating Expenses	(60,995,662)	(56,087,785)
Net Operating Loss	**(26,402,135)**	**(26,217,661)**
Non-Operating Revenues	30,293,266	29,590,812
Non-Operating Expenses	(2,370,776)	(2,334,149)
Gain(Loss) Before Other	1,520,355	1,039,002
Capital Appropriations and Contributions	3,568,959	13,754,431
Non cash capital contribution	16,507	914,900
Increase in Net Position	**5,105,821**	**15,708,333**
Net Position, Beginning of the Year	**114,516,076**	**98,807,744**
Net position change due to GASB 73*	**(3,505,453)**	
Adjusted Net position, Beginning of the Year	**111,010,623**	
Net Position, End of the Year	**116,116,444**	**114,516,076**

Revenues

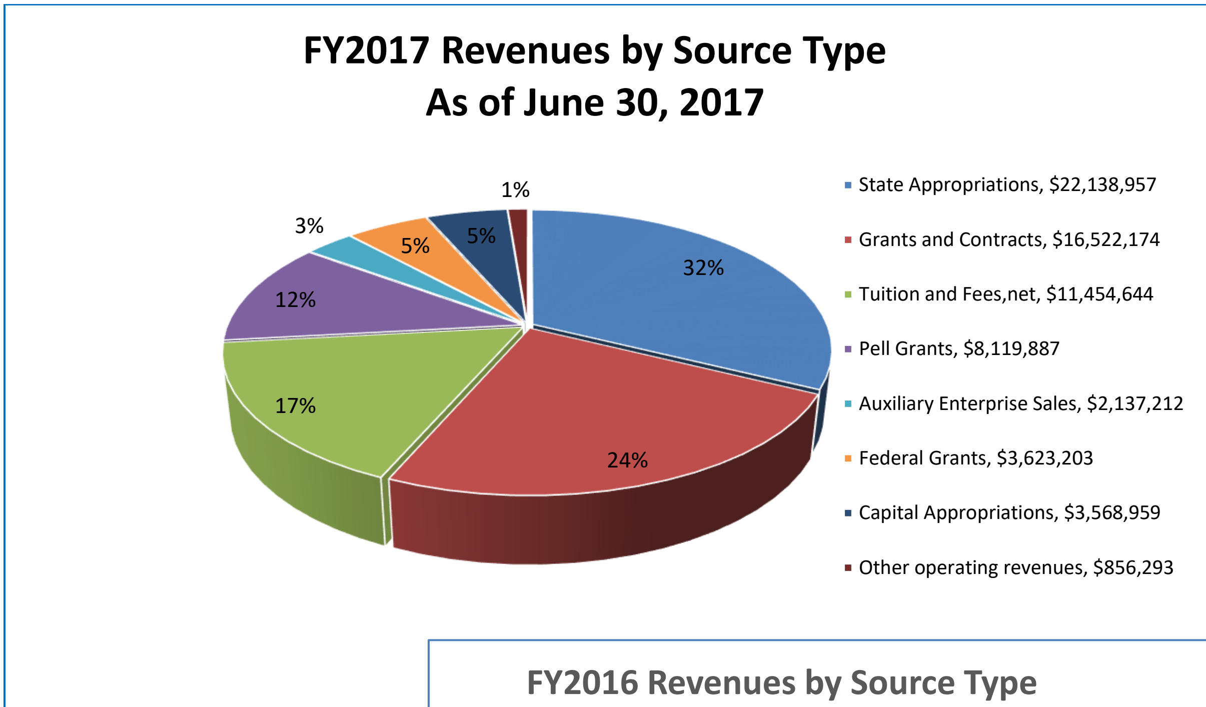
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2017, the SBCTC moved forward with a new allocation model, allocating funds to each of the 34 college's based 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 receive a one-time allocation of $112,196 for a portion of its share of Moore vs HCA settlement cost. This allocation does not carry forward to future years. In FY2017, the Legislature enacted the Affordable Education Act, which reduced tuition by five percent at College.

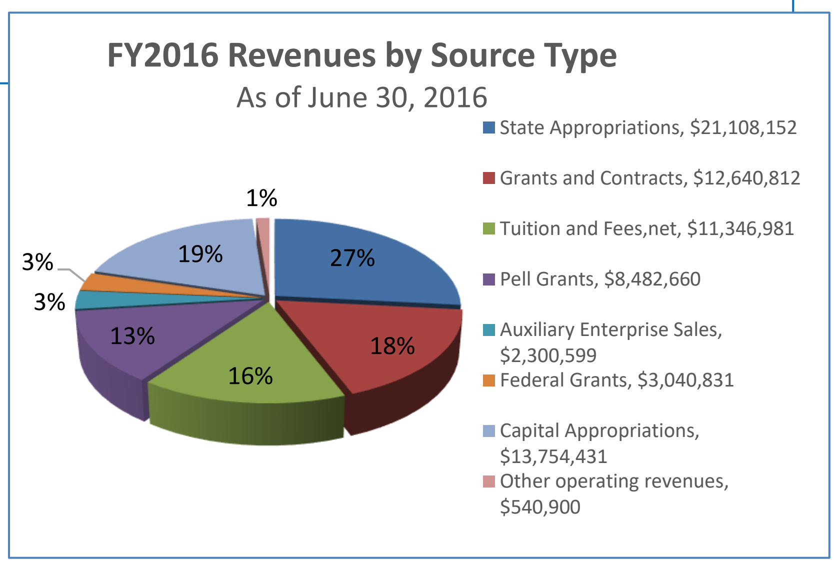


Since enrollments increased slightly in FY 2017, the College's increase in tuition and fee revenue at gross amount (($20,883,483 in FY 2017 and $20,702,677 in FY2016) is primarily attributable to the increase in enrollment. For FY2017, the College attempted to hold other fees as stable as possible, resulting in only small changes in these revenues. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law. In FY 2017, grant and contract revenues increased by $4,463,734 when compared with FY 2016 ($20,145,377 in FY 2017 and $15,681,643 in FY 2016). The College continued to serve students under the terms of contracted programs.

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.





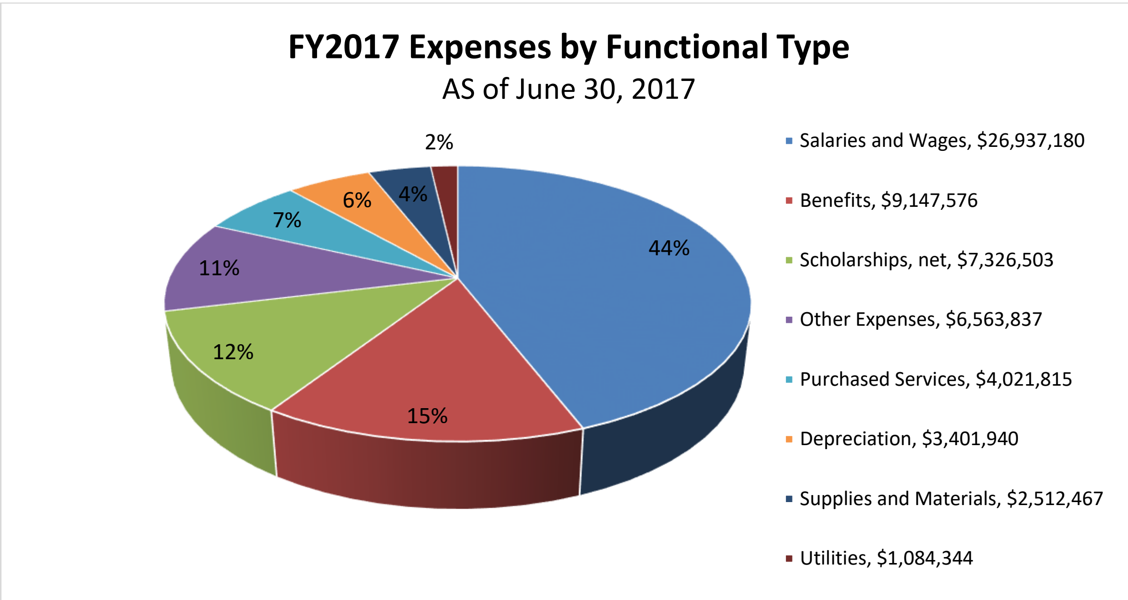
Expenses

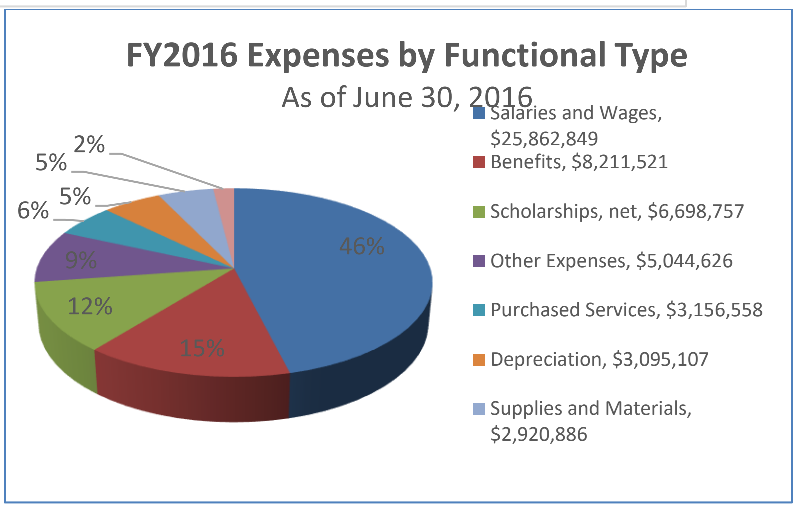
In FY 2017, overall increase in operating expenses is due to increases in salary and benefit costs for classified, exempt, and faculty, increases to compete in the job market in order to replace retiring exempt employees, and a 1.8% cost of living adjustment. Also the increase in Scholarships, Other Expenses, and Purchased Services is primarily due to the increase in the enrollment. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and they are instead recognized as supplies and materials or purchased services costs.

These fluctuations are to be expected. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service.

Comparison of Selected Operating Expenses by Function

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 $107,730,793 in capital assets, net of accumulated depreciation. This represents an increase of $17,241,730 from last year, as shown in the table below.

Asset Type	June 30, 2017	June 30, 2016	Change
Land	1,173,788	1,368,268	(194,480)
Construction in Progress	18,460,571	17,264,499	1,196,071
Buildings, net	84,313,354	68,124,736	16,188,618
Other Improvements and Infrastructure, net	651,231	555,188	96,043
Equipment, net	3,028,950	3,084,354	(55,404)
Library Resources, net	102,899	92,017	10,882
Total Capital Assets, Net	**$107,730,793**	**$90,489,063**	**$17,241,730**

The increase in net capital assets can be attributed to a new Social Science Center & World Languages Center, and the construction in progress of Wortman Medical Science Center on June 30. 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 $5,092,520 in outstanding Certificates of Participation debt.

	June 30, 2017	June 30, 2016
Certificates of Participation	5,092,520	6,240,971
Total	**5,092,520**	**6,240,971**

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 continued to decrease through FY 2015. Beginning FY 2016, the Legislature enacted the Affordable Education Act, which reduced tuition 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. 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.

Columbia Basin Community College
Statement of Net Position
June 30,2017

Assets	
Current assets	
Cash and cash equivalents	20,576,609
Short-term investments	6,519,814
Accounts Receivable	2,236,852
Interest Receivable	11,277
Inventories	380,723
Prepaid Expenses	19,839
Total current assets	**25,205,300**
Non-Current Assets	
Long-term investments	5,431,521
Capital assets, non-depreciable	19,634,359
Capital assets, net of depreciation	88,096,435
Total non-current assets	**117,702,128**
Total assets	**144,665,709**
Deferred Outflows of Resources	
	1,594,014
Total Deferred Outflows of Resources	1,594,014
Liabilities	
Current Liabilities	
Accounts Payable	447,624
Accrued Liabilities	2,768,464
Compensated absences	917,487
Deposits Payable	246,783
Unearned Revenue	1,864,351
Leases and Certificates of Participation Payable	1,440,556
Total current liabilities	**7,685,264**
Noncurrent Liabilities	
Compensated Absences	2,140,802
Pension Liability	8,766,020
Long-term liabilities	8,880,327
Total non-current liabilities	19,787,149
Total liabilities	**27,472,414**
Deferred Inflows of Resources	912,584
Total Deferred Inflows of Resources	912,584

Net Position	
Net Investment in Capital Assets	97,443,219
Restricted for:	
Expendable	642,559
Unrestricted	18,030,667
Total Net Position	**116,116,444**
Total Liabilities, deferred inflow and Net Position	**144,501,442**

(See accompanying note to the financial statements)

Columbia Basin 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	11,454,644
Auxiliary enterprise sales	2,137,212
State and local grants and contracts	16,522,174
Federal grants and contracts	3,623,203
Other operating revenues	856,293
Total operating revenue	**34,593,527**
Operating Expenses	
Salaries and wages	26,937,180
Benefits	9,147,576
Scholarships and fellowships	7,326,503
Operating Expenses	6,563,837
Purchased services	4,021,815
Depreciation	3,401,940
Supplies and materials	2,512,467
Utilities	1,084,344
Total operating expenses	**60,995,662**
Operating income (loss)	**(26,402,135)**
Non-operating revenues (expenses)Operating	
State appropriations	22,138,957
Federal Pell grant revenue	8,119,887
Investment income, gains and losses	34,421
Building fee remittance	(1,623,580)
Innovation fund remittance	(426,255)
Interest on indebtedness	(320,941)
Net non-operating revenues (expenses)	**27,922,490**
Income or (loss) before other revenues, expenses, gains, or losses	**1,520,355**
Capital appropriations	3,568,959
Non cash capital donation:	16,507
Increase (Decrease) in net position	**5,105,821**

Net Position	
Net position, beginning of year	114,516,076
Net position change due to GASB 73	(3,505,453)
Adjusted Net position, beginning of year	111,010,623
Net position, end of year	**116,116,444**

(See accompanying note to the financial statements)

Columbia Basin Community College
Statement of Cash Flows
For the Year Ended June 30, 2017

Cash flow from operating activities	
Student tuition and fees	11,194,433
Grants and contracts	20,634,023
Payments to vendors	(8,511,336)
Payments for utilities	(1,159,064)
Payments to employees	(26,599,888)
Payments for benefits	(8,993,188)
Auxiliary enterprise sales	2,123,172
Payments for scholarships and fellowships	(7,326,503)
Other receipts (payments)	(6,224,150)
Net cash used by operating activities	**(24,862,499)**
Cash flow from noncapital financing activities	
State appropriations	23,710,738
Pell grants	8,119,887
Building fee remittance	(1,706,602)
Innovation fund remittance	(443,896)
Net cash provided by noncapital financing activities	**29,680,129**
Cash flow from capital and related financing activities	
Proceeds of capital debt	5,240,912
Capital appropriations	4,727,191
Purchases of capital assets	(21,369,711)
Principal paid on capital debt	(1,204,309)
Interest paid	(320,941)
Net cash used by capital and related financing activities	**(12,953,798)**
Cash flow from investing activities	
Purchase of investments	(7,885,626)
Income of investments	34,421
Net cash provided by investing activities	**(7,851,204)**
Increase in cash and cash equivalents	**(15,987,373)**
Cash and cash equivalents at the beginning of the year	**36,563,982**
Cash and cash equivalents at the end of the year	**20,576,609**

Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(26,402,135)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	3,401,940
Changes in assets and liabilities	
Receivables	(343,070)
Inventories	25,208
Other assets	10,143
Accounts payable	(1,623,179)
Accrued liabilities	(395,330)
Deferred revenue	51,053
Compensated absences	222,977
Pension liability adjustment expense	124,974
Deposits payable	64,920
Net cash used by operating activities	**(24,862,499)**

(See accompanying note to the financial statements)

Columbia Basin College Foundation
Statement of Financial Position

ASSETS	2017
Cash and cash equivalents	**2,225,894**
Investments	**293,283**
Restricted cash and cash equivalents	**817,767**
Cash designated for Health Science Center construction	**-**
Restricted investments	**488,153**
Investments and cash equivalents restricted for endowments	**16,979,033**
Cash held in charitable remainder trust	**180,434**
Real estate held in charitable remainder trust	**630,000**
Residence held subject to life interest	**315,700**
Advances to Columbia Basin College	**5,873,384**
Promises to give	**174,085**
Promise to give from Kadlec Medical Center	**1,941,424**
Prepaid expenses	**1,298**
Equipment and furniture, net of accumulated depreciation of $8,166 and $7,558, respectively	**4,021**
Land	**117,262**
Collections and artwork	**48,875**
Total assets	**30,090,613**

LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	**219,319**
Note payable	**1,764,056**
Construction loan payable	**4,109,328**
Annuity payable from charitable remainder trust	**313,834**
Use interest of beneficiary	**27,595**
Total liabilities	**6,434,132**
Net assets	
Unrestricted	**2,493,734**
Temporarily restricted	**13,149,497**
Permanently restricted	**8,013,250**
Total net assets	**23,656,481**
Total liabilities and net assets	**30,090,613**

Columbia Basin College Foundation
Statement of Activities and Changes in Net Assets
6/30/2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contributions	$ 463,016	$ 448,028	$ 125,509	**$ 1,036,553**
Interest and dividend income	(83,731)	397,925	-	**314,194**
Gain on investments, net	21,395	1,165,497	-	**1,186,892**
Support from Columbia Basin College	287,668	-	-	**287,668**
Special events (including contributions of $159,020), net of expenses	-	184,265	-	**184,265**
Other	68,409	-	-	**68,409**
Actuarial adjustment of split interest agreements	-	52,599	(1,691)	**50,908**
Total revenue and support	756,757	2,248,314	123,818	**3,128,889**
Net assets released from restrictions	2,708,885	(2,708,885)	-	**-**
Expenses				
Program services	2,294,244	-	-	**2,294,244**
Management and general	259,072	-	-	**259,072**
Fundraising	294,905	-	-	**294,905**
Total expenses	2,848,221	-	-	**2,848,221**
Change in net assets	617,421	(460,571)	123,818	**280,668**
Net assets, beginning of year	1,876,313	13,610,068	7,889,432	**23,375,813**
Net assets, end of year	**$ 2,493,734**	**$ 13,149,497**	**$ 8,013,250**	**$ 23,656,481**

Columbia Basin College Foundation
Statement of Cash Flows

	2017
Increase (Decrease) in Cash and Cash Equivalents	
Cash flows from operating activities	
Cash received from contributions	**$ 1,782,813**
Cash received from interest and dividends	**314,194**
Cash received from other sources	**68,408**
Cash paid for salaries and benefits	**(122,378)**
Cash paid for interest	**(76,731)**
Cash paid for other expenses	**(2,178,037)**
Net cash provided by (used in) operating activities	**(211,731)**
Cash flows from investing activities	
Purchases of investments	**(3,421,381)**
Sales or maturity of investments	**4,043,166**
Transfers from (to) cash designated for Health Science Center	**50,000**
Transfers from (to) restricted cash and cash equivalents	**235,630**
Collections on advances to Columbia Basin College	**380,117**
Advances to Columbia Basin College for Health Science Center II	**(4,109,328)**
Net cash used in investing activities	**(2,821,796)**
Cash flows from financing activities	
Cash received from contributions restricted for investments in endowments	**125,509**
Construction loan proceeds designated for Health Science Center II	**4,059,328**
Principal payments on notes payable	**(198,714)**
Net cash provided by (used in) financing activities	**3,986,123**
Net increase in cash and cash equivalents	**952,596**

Cash and cash equivalents, beginning of year	1,273,298
Cash and cash equivalents, end of year	**$ 2,225,894**

	2017
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities	
Change in net assets	$ 280,668
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation expense	609
(Gain) loss on investments, net	(1,186,892)
Contributions restricted for:	
Investments in endowments	(125,509)
Actuarial adjustments of split interest agreements	(50,909)
Decrease (increase) in assets:	
Promises to give	225,915
Promise to give from Kadlec Medical Center	461,589
Prepaid expenses	252
Increase (decrease) in liabilities:	
Accounts payable	182,546
Net cash provided by (used in) operating activities	**$ (211,731)**

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
Columbia Basin College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers bachelor and 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.

The Columbia Basin College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1984 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to establish and cultivate a variety of productive and mutually beneficial relationships with individuals, corporations, and other foundations for the benefit of Columbia Basin College. The Foundation seeks to acquire and manage funds for scholarships, projects, and activities not otherwise supported by the State. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the College or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2017, the Foundation distributed approximately $2.6 million to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at Debbie Risk, Director of Operations at 509-542-4436 or email drisk@columbiabasin.edu.

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 inflows, liabilities, deferred outflows, 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.

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, if probable of collection.

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, petty cash, and bank demand deposits. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets. The College records all cash, cash equivalents, and investments at fair value.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents, certificates of deposit, U.S. Treasuries and U.S. Government 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.

Inventories

Inventories, consisting primarily of merchandise for resale in the College bookstore and course-related supplies, are valued at cost using FIFO methods. Inventory is recorded on the basis of a physical count.

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 be misleading to the reader.
Land, buildings and equipment are recorded at cost, or if acquired by gift, at fair market value at the date of the gift. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. 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 range from 15 to 50 years for buildings and improvements, 3 to 50 years for improvements other than buildings, 7 years for library resources and 2 to 10 years for most equipment and 11 to 40 years for heavy duty equipment, aircraft, locomotives and vessels.

In accordance with GASB Statement 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.

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. The College has recorded summer 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 GASB68 but use current fiscal yearend 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 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 $9,428,840.

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 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 $3,505,453 as a result of the implementation of GASB Statement No. 73.

Statement No. 82 Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. GASB Statement No. 82 amends the definition of covered payroll for pensions reported in required supplementary information. Instead of presenting covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, the required supplementary information will present covered payroll, defined as the payroll on which contributions to a pension plan are based.

3. Cash and Investments

Cash and cash equivalents include cash on hand, petty cash, bank demand deposits and pooled cash investments. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets. The College records all cash, cash equivalents, and investments 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 equivalents and investments and securities as authorized by RCW 39.60.50.

As of June 30, 2017, the carrying amount of the College's cash and equivalents was $20,576,609 as represented in the table below.

Cash and Cash Equivalents	June 30, 2017
Petty Cash and Change Funds	5,454
Bank Demand and Time Deposits	20,571,155
Total Cash and Cash Equivalents	**20,576,609**

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 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).

Interest Rate Risk—Investments

Through its investment policies, the College manages exposure to fair value losses arising from increasing interest rates by segmenting investments into short-term, intermediate-term and long-term pools. College policies limit the portfolio average maturity of the short-term pool to one year or less, the portfolio average maturity of the intermediate-term pool to three years or less, and the portfolio average maturity of the long-term pool to ten years or less.

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, $ 11,951,335 of the College's operating fund investments, held by US Bank and Charles Schwab as agents for the College are exposed to custodial credit risk as follows.

Investments Exposed to Custodial Risk	Fair Value
US Government Agency Security	4,962,036
US Bank Certificate of Deposit	2,000,000
Charles Schwab	4,989,299
Total Investments Exposed to Custodial Risk	**11,951,335**

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 $18,020.

Investments

Fair Value Hierarchy

Fair value measurement determination is based on the assumptions that market participants would use in pricing the assets. Fair value is described as an exit prices. 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 measurements. The fair value hierarchy prioritizes the inputs discussed above as follows:

> Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities. Level 1 investments include equity securities and other publicly traded securities.
>
> Level 2 – Theses are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable. Level 2 investments include fixed or variable-income securities, commingled funds, certain derivatives and other assets that are valued using market information.
>
> Level 3 - These are unobservable inputs, such as a property valuation or an appraisal. Unobservable input 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 circumstances (e.g. investment manager pricing for private placements, private equities and hedge funds).

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

Investment Maturities	One Year or Less	1-5 Years	Total
Time Certificate of Deposits		2,000,000	**2,000,000**
Level 1			
US Government Agency Securities	1,980,000	2,982,036	**4,962,036**
US Treasuries		4,989,299	**4,989,299**
Total	**1,980,000**	**9,971,335**	**11,951,335**

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	793,851
Due from the Federal Government	82,954
Due from Other State Agencies	1,386,908
Interest Receivable	11,277
Other	22,063
Subtotal	2,297,053
Less Allowance for Uncollectible Accounts	(48,924)
Accounts Receivable, net	**2,248,129**

5. Inventories

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

Inventories		Amount
Merchandise Inventories	$	380,723
Inventories	**$**	**380,723**

6. 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 $3,401,940.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements/ Adjustment	Ending Balance
Nondepreciable capital assets				
Land	1,368,268		(194,480)	1,562,748
Construction in progress	17,264,499	16,453,930	(15,257,859)	48,976,289
Total nondepreciable capital assets	18,632,767	16,453,930	(15,452,339)	50,539,037
Depreciable capital assets				
Buildings	97,483,069	18,498,492		115,981,561
Other improvements and infrastructure	1,438,438	171,794		1,610,233
Equipment	8,491,833	925,376	(849,841)	10,267,050
Library resources	609,773	29,966		639,739
Subtotal depreciable capital assets	108,023,114	19,625,628	(849,841)	128,498,583
Less accumulated depreciation				
Buildings	(29,358,333)	(2,309,873)		(31,668,207)
Other improvements and infrastructure	(883,250)	(75,752)		(959,002)
Equipment	(5,407,478)	(997,227)	866,291	(5,538,414)
Library resources	(517,756)	(19,084)		(536,840)
Total accumulated depreciation	(36,166,817)	(3,401,936)	866,291	(38,702,463)
Total depreciable capital assets	71,856,297	16,223,692	16,450	88,096,438
Capital assets, net of accumulated depreciation	**90,489,064**	**32,677,623**	**(15,435,889)**	**107,730,793**

7. 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 (expenses) 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.

8. Accounts Payable and Accrued Liabilities

At June 30, 2017, accrued liabilities are the following.

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	11,824,309
Accounts Payable	11,015,290
Amounts Held for Others and Retainage	2,768,464
Total	**25,608,063**

9. Unearned Revenue

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

Unearned Revenue	Amount
Summer Quarter Tuition & Fees	1,864,351
Total Unearned Revenue	1,864,351

10. 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 finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2016 through June 30, 2017, were $54,483. Cash reserves for unemployment compensation for all employees at June 30, 2017, were $40,000.

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 three 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 three years.

11. 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 $1,343,511 and accrued sick leave totaled $1,714,779 at June 30, 2017. Accrued annual and sick leave are categorized as non-current liabilities. Compensatory time is categorized as a current liability since it must be used before other leave.

12. Leases Payable

In 2007, the College entered into annual lease agreement for Chase Center property. The lease agreement in effect is considered an operating lease. During the years ended June 30, 2017, the College recorded the expenses of $174,105.

The College also entered into a long term lease-leaseback agreement with the Columbia Basin College Foundation and Kadlec Medical Center for financing the construction of Wortman Medical Science Center. As of June 2017, the College incurred the principal and interest payment of $45,858 and $37,817 respectively, and recorded $5,195,054 as a capital lease payable to the Foundation. The minimum capital lease payments consist of the following.

Capital Lease Payable			
Fiscal Year	**Principal**	**Interest**	**Total**
2018	206,568	223,692	430,260
2019	215,756	214,504	430,260
2020	224,791	205,469	430,260
2021	235,352	194,908	430,260
2022 and thereafter	4,312,587	108,802	4,421,389
Total	**5,195,054**	**947,375**	**6,142,429**

13. Notes Payable

In November 2011, the College financed for energy improvement project (ESPC 1) through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $1.89 million. The interest rate charged is approximately 3.24%.

In March 2013, the College refinanced to remodel the WISE Technology Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $4.15 million. The interest rate charged is approximately 1.37%.

In August 2015, the College financed for energy improvement project (ESPC 2) through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $1.76 million. The interest rate charged is approximately 1.54%.

In October 2015, the College refinanced to remodel the Student Center through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $550,000. Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 2015. The interest rate charged is approximately 1.2%. Student fees related to the COPs are accounted for in a dedicated fund, which is used to pay principal and interest, not coming out of the general operating budget.

The College's debt serve requirements of the notes payable are presented in Note 15.

14. Annual Debt Service Requirements

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

Certificates of Participation			
Fiscal year	**Principal**	**Interest**	**Total**
2018	1,200,679	227,674	1,428,353
2019	1,263,535	156,517	1,420,052
2020	1,312,049	94,764	1,406,813
2021	416,257	51,556	467,813
2022	135,000	38,400	173,400
2023-2026	765,000	86,713	851,713
Total	**5,092,520**	**655,624**	**5,748,144**

15. Schedule of Long Term Liabilities

	Balance outstanding 6/30/16	Change	Balance outstanding 6/30/17	Current portion
Certificates of Participation	6,240,971	(1,148,451)	5,092,520	1,200,679
Compensation Absences	2,835,491	222,791	3,058,282	917,487
Capital Lease	5,240,912	(45,858)	5,195,054	206,568
Net pension obligation	4,737,664	4,028,356	8,766,020	
Total	**19,055,038**	**4,028,356**	**22,111,876**	**2,324,735**

16. Pension Liability

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

PERS 2/3		2,845,889
TRS 1		363,241
TRS 2/3		59,999
SBRP		2,815,631
Total	**$**	**8,766,020**

17. Retirement Plans

<u>A. General</u>

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 multiple employer defined contribution plan for the faculty and exempt administrative and professional staff of the state's public community and technical colleges. The plan includes supplemental payment, when required. The plan is administered by the State Board for Community and Technical Colleges (SBCTC).

For FY2017, the payroll for the College's employees was $6,138,042 for PERS, $550,168 for TRS, and $17,132,866 for SBRP. Total covered payroll was $23,821,076.

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 the College, for fiscal year 2017:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(8,766,020)
Deferred outflows of resources related to pensions	1,594,014
Deferred inflows of resources related to pensions	(912,584)
Pension expense/expenditures	124,974

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 Higher Education Supplemental Retirement Plan in alignment with the State CAFR.

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 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 percent.

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%	13.13%	6.00%	13.13%
Plan 2	4.69%	10.39%	5.95%	13.13%	5.95%	13.13%
Plan 3	5-15%	10.39%	5-15%	13.13%	5-15%	13.13%

Required Contributions						
	FY2015		**FY2016**		**FY2017**	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$16,931.26	$25,989.79	$18,142.88	$33,806.28	$16,523.06	$30,788.13
Plan 2	$146,894.86	$274,982.13	$209,691.22	$383,068.42	$232,231.02	$424,237.50
Plan 3	$126,337.73	$164,004.87	$136,305.25	$210,477.15	$145,654.21	$231,369.85
TRS						
Plan 1	$8,865.45	$15,351.73	$9,474.23	$20,059.01	$9,222.62	$20,182.20
Plan 3	$21,037.10	$19,192.99	$21,596.32	$27,207.65	$38,518.29	$52,222.10

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 percent 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	SBRP	Total
FY16 Pension Expense	156,824	388,237	23,325	16,360	115,795	584,746
Deferred Outflows(FY17 contributions)	(365,811)	(371,143)	(43,901)	(26,110)	-	(806,965)
FY17 Amortization of change in proportionate liability	157,734	59,396	10,208	8,375		235,713
FY16 Amortization of change in proportionate liability		(4,315)				(4,315)
Total Pension Expense	(51,252)	72,175	(10,368)	(1,376)	115,795	124,974

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 Plan 1	0.047067%	0.049926%
PERS Plan 2/3	0.053622%	0.056523%
TRS Plan 1	0.010339%	0.010639%
TRS Plan 2/3	0.003807%	0.004369%

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 percent 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 percent, 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 percent 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 percent 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 percent 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 percent, 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 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
PERS Plan 1	3,233,331.58	2,681,261.35	2,206,171.03
PERS Plan 2/3	5,239,792.32	2,845,888.40	(1,481,449.18)
TRS Plan 1	446,533.41	363,240.67	291,496.05
TRS Plan 2/3	135,786.69	59,999.35	(69,701.15)
	9,055,443.99	5,950,389.77	946,516.75

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	-	-	151,542	93,947
Difference between expected and actual earnings of pension plan investments	67,510		348,255	
Changes of Assumptions	-	-	29,415	
Changes in College's proportionate share of pension liabilities	-	-	137,722	10,357
Contributions to pension plans after measurement date	365,811	-	371,143	-
	433,321		**1,038,075**	**104,304**

`	**TRS 1**		**TRS 2/3**	
	Deferred Outflows	**Deferred Inflows**	**Deferred Outflows**	**Deferred Inflows**
Difference between expected and actual experience	-	-	4,539	(2,662)
Difference between expected and actual earnings of pension plan investments	11,521		9,658	
Changes of Assumptions	-	-	611	
Changes in College's proportionate share of pension liabilities	-	-	26,276	
Contributions to pension plans after measurement date	43,901	-	26,110	
	55,423		**67,194**	**(2,662)**

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	SBRP	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	651,786
Difference between expected and actual earnings of pension plan investments		
Changes of Assumptions		153,831
Changes in College's proportionate share of pension liabilities		
Contributions to pension plans after measurement date		
		805,617

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	Total Deferred Outflows	Total Deferred Inflows
Difference between expected and actual experience	156,080	96,609
Difference between expected and actual earnings of pension plan investments	436,944	651,786
Changes of Assumptions	30,026	-
Changes in College's proportionate share of pension liabilities	163,998	164,188
Contributions to pension plans after measurement date	806,965	-
Total	**1,594,014**	**912,584**

The $1,594,014 reported as deferred outflows of resources represent contributions the College made 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:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
2018	(16,622)	57,047	(2,978)	8,197	45,644
2019	(16,622)	41,651	(2,978)	8,197	30,248
2020	62,001	293,158	10,778	14,513	380,450
2021	38,754	170,773	6,698	7,272	223,497
2022	-	-	-	243	243
2023	-	-	-	-	-
Total	**67,510**	**562,629**	**11,521**	**38,422**	**680,082**

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

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

<u>Plan Description</u>.

The State Board Retirement Plan is a privately administered single-employer defined contribution plans 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. The 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.

<u>Contributions</u>. 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 each $1,403,863 and $1,418,255.

<u>Benefits Provided</u>. 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 percent 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 College in the amount of $902,000. The College's share of this amount was $26,719.61. 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 $85,661. This amount was not used as a part of GASB73 calculations its status as an asset has not been determined by the Legislature. As of June 30, 2017, the Community and Technical College system accounted for $13,280,149.81 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 percent 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 Higher Education Supplemental Retirement Plans.

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

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 percent for the June 30, 2017, measurement date.

Pension Expense

For the year ended June 30, 2017, Columbia Basin College reported $124,974 for pension expense in the Higher Education Supplemental Retirement Plans.

Proportionate Shares of Pension Liabilities

The College's proportionate share of pension liabilities for fiscal year ending June 30, 2017 was 2.96%. 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
19	6	1	174	181

Change in Total Pension Liability/ (Asset)

The following table presents the change in total pension liability/(asset) of Higher Education Supplemental Retirement Plans at June 30, 2017, the latest measurement date for all plans.

Schedule of Changes in Total Pension Liability and Related Ratios
Columbia Basin College
Fiscal Year Ended and Measurement Data June 30*

Total Pension Liability	
Service cost	160,466
Interest	104,094
Changes of benefit terms	N/A
Differences between expected and actual experience	(750,519)
Changes in assumptions	(177,143)
Benefit payments	(26,720)
Other	N/A
Net change in Total Pension Liability	(689,822)
Total Pension Liability - Beginning	3,505,497
Total Pension Liability - Ending	2,815,666
Covered-employee payroll	11,129,962
Total Pension Liability/(Asset) as percentage of covered-employee payroll	25.30%

N/A indicates data not available
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total duu to rounding.
Source: Washtington State Office of the State Actuary

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 percent, as well as what the employers' total pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate (expressed in thousands):

Total Pension Liability/(Asset)	**1% Decrease**	**Current Discount Rate**	**1% Increase**
State Board for Community and Technical College(SBCTC)	3,232.00	2,813.00	2,467.00

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2017, the Higher Education Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

State Board for Community and Technical Colleges(SBCTC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		651,786
Changes of assumptions		153,831
Transactinos subsequent to the measurement date		
Total		805,617

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	(122)
2019	(122)
2020	(122)
2021	(122)
2022	(122)
2023 and beyond	(195)

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 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent 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 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent 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.

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 $17,594,068, with an annual required contribution (ARC) of $1,585,262. 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 $340,135. The College's net OPEB obligation at June 30, 2017 was approximately $4,637,470. This amount is not included in the College's financial statements.

The College paid $4,622,040 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, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2017.

Expenses by Functional Classification	
Instruction	23,260,171
Institutional Support	8,559,377
Student Services	6,928,893
Scholarships and Other Student Financial Aid	6,370,662
Operations and Maintenance of Plant	7,049,708
Depreciation	3,401,940
Academic Support Services	2,711,343
Auxiliary enterprises	2,713,569
Total operating expenses	**60,995,662**

20. Commitments and Contingencies

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.

21. Contingent Liabilities

An advance of $1,764,056 to Columbia Basin College on the Foundation financial statements is rental receivables from Kadlec Medical Center. The Columbia Basin College Foundation obtained a loan for the construction of Health Science Center I. The loan is paid back by lease payments from Kadlec Medical Center. The College is secondarily liable for the indebtedness in the event Kadlec defaults or goes bankruptcy. The College did not recognize the liabilities in the Statement of Net Position as the event is unlikely to occur and is not probable

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Columbia Basin College's Proportionate Share of the Net Pension Liability

Schedule of Columbia Basin 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	0.048122%	$ 2,424,168	$ 302,924	800.26%	61.19%
2015	0.047067%	$ 2,462,042	$ 283,989	866.95%	59.10%
2016	0.049926%	$ 2,681,261	$ 302,041	887.71%	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 Columbia Basin College's Proportionate Share of the Net Pension Liability

Schedule of Columbia Basin 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	0.054078%	$ 1,093,112	$ 4,640,749	23.55%	93.29%
2015	0.053622%	$ 1,915,945	$ 4,766,644	40.19%	89.20%
2016	0.056523%	$ 2,845,888	$ 5,276,901	53.93%	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 Columbia Basin College’s Proportionate Share of the Net Pension Liability

Schedule of Columbia Basin 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	0.009419%	$ 277,809	$ 147,257	188.66%	68.77%
2015	0.010300%	$ 327,554	$ 147,756	221.69%	65.70%
2016	0.010639%	$ 363,241	$ 156,731	231.76%	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 Columbia Basin College's Proportionate Share of the Net Pension Liability

Schedule of Columbia Basin 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	0.002337%	$ 7,548	$ 92,719	8.14%	96.81%
2015	0.003807%	$ 32,124	$ 182,782	17.58%	92.48%
2016	0.004369%	$ 59,999	$ 218,388	27.47%	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	$ 27,889	$ 27,889	$ -	$ 302,924	9.21%
2015	$ 26,155	$ 25,990	$ 165	$ 283,989	9.15%
2016	$ 33,806	$ 33,806		$ 302,041	11.19%
2017	$ 30,788	$ 30,788	$ -	$ 276,101	11.15%
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	$ 427,321	$ 427,321	$ -	$ 4,640,749	9.21%
2015	$ 439,008	$ 438,987	$ 21	$ 4,766,644	9.21%
2016	$ 593,546	$ 593,546		$ 5,276,901	11.25%
2017	$ 655,607	$ 655,607	$ -	$ 5,881,117	11.15%
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	$ 14,774	$ 14,774	$ -	$ 147,257	10.03%
2015	$ 15,352	$ 15,352	$ -	$ 147,756	10.39%
2016	$ 20,059	$ 20,059		$ 156,731	12.80%
2017	$ 20,182	$ 20,182	$ -	$ 154,605	13.05%
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	$ 9,472	$ 10,472	$ (1,000)	$ 91,928	10.30%
2015	$ 18,991	$ 19,193	$ (202)	$ 182,782	10.50%
2016	$ 27,208	$ 27,208		$ 218,388	12.46%
2017	$ 52,222	$ 52,222	$ -	$ 388,097	13.46%
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 Total Pension Liability and Related Ratios Columbia Basin College Fiscal Year Ended and Measurement Data June 30	
Total Pension Liability	
Service cost	160,466
Interest	104,094
Changes of benefit terms	N/A
Differences between expected and actual experience	(750,519)
Changes in assumptions	(177,143)
Benefit payments	(26,720)
Other	N/A
Net change in Total Pension Liability	(689,822)
Total Pension Liability - Beginning	3,505,497
Total Pension Liability - Ending	2,815,666
Covered-employee payroll	11,129,962
Total Pension Liability/(Asset) as percentage of covered-employee payroll	25.30%

N/A indicates data not available
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total duu to rounding.
Source: Washtington State Office of the State Actuary

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.

State Board Supplemental Defined Benefit Plans

Schedules of Contributions

Schedule of Contributions State Board Retirement Plan 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
2017	$ 1,418,112	$ 1,403,737	$ 14,375	$17,286,577	8.20%
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					

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

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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