Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Olympic College

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

Published March 12, 2018
Report No. 1020865

Office of the Washington State Auditor

Pat McCarthy

March 12, 2018

Board of Trustees
Olympic College
Bremerton, Washington

Report on Financial Statements

Please find attached our report on the Olympic College's financial statements.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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

State of Washington
Olympic College
July 1, 2016 through June 30, 2017

Board of Trustees
Olympic College
Bremerton, 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 discretely presented component units of the Olympic 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 March 6, 2018.

Our report includes a reference to other auditors who audited the financial statements of the Olympic College Foundation and John Bremer Edward Bremer Consolidated Trust, 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 controls 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 Olympic College Foundation and John Bremer Edward Bremer Consolidated Trust were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with the Olympic College Foundation and John Bremer Edward Bremer Consolidated Trust. As discussed in Note 2 to the financial statements, during the year ended June 30, 2017, the College implemented Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

The financial statements of the Olympic 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 and its aggregate discretely presented component units. 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

Pat McCarthy

State Auditor

Olympia, WA

March 6, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Olympic College
July 1, 2016 through June 30, 2017

Board of Trustees
Olympic College
Bremerton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Olympic 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 11.

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 Olympic College Foundation, which in aggregate represent 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. These statements were audited by other auditors, whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Olympic College Foundation and the Bremer Trust Edward Bremer Consolidated Trust, is based solely on the reports 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 of material misstatement. The financial statements of the Olympic College Foundation and John Bremer Edward Bremer Consolidated Trust 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 reports 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 Olympic 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 2 to the financial statements, in 2017, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the Olympic 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 and its aggregate discretely presented component units. 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 11 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 March 6, 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

March 6, 2018

FINANCIAL SECTION

Olympic College
July 1, 2016 through June 30, 2017

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

Olympic College

The following discussion and analysis provides an overview of the financial position and activities of Olympic 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.

Olympic College is one of thirty-four 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 11,740 students. The College confers bachelor's degrees, associate's degrees, certificates and high school diplomas. The College was established in 1946 and its primary purpose is to enrich our diverse communities through quality education and support so students achieve their educational goals.

The College's main campus is located in Bremerton, Washington, a community of about 40,675 residents. The College also has operations in Poulsbo and Shelton. 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. In addition, the college has a Governor-appointed student trustee who is prohibited from voting on personnel or collective bargaining matters. 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 units, the Olympic College Foundation and the John Bremer and Edward Bremer Consolidated Trust. The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2017. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

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

During 2017, the College adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68 as amended by GASB Statement No. 71. It establishes financial reporting requirements for defined benefit pensions that are provided to employees of state and local governmental employers and that are not administered through trusts or equivalent arrangements and therefore outside the scope of Statement 68. The College is required to record its proportionate share of net pension liabilities, deferred inflows, pension expense and benefit payments. The change in accounting principle resulted in a $3.017 million increase in net pension liability.

Financial Highlights

The College's financial position as of June 30, 2017, reflects an overall increase over the previous year due in part to an increase of $26.318 million in capital assets. In the current year:

- Assets increased by $23.367 million to end the year at $168.272 million.
- Liabilities increased by $3.898 million to end the year at $20.254 million.
- Net position, which is the residual of assets and deferred outflows after deducting liabilities and deferred inflows, increased $19.923 million to end the year at $148.732 million.

Other significant changes to operations were as follows:

- Operating revenues totaled $36.155 million, a decrease of $1.826 million.
- Operating expenses totaled $68.120 million, an increase of $703 thousand.
- Non-operating revenues, net of non-operating expenses, totaled $29.974 million, an increase of $2.263 million.

Financial Position

Statement of Net Position

The Statement of Net Position provides information about the College's financial position, and presents all of the College's assets, deferred outflows, liabilities, and deferred inflow, with the difference reported as net position. A condensed comparison of the Statement of Net Position is as follows:

Management's Discussion and Analysis

Condensed Statement of Net Position		**FY 2017**		**FY 2016**
As of June 30th				
Assets				
Current Assets	$	31,675,049	$	34,625,729
Capital Assets, net		136,596,957		110,278,429
Total Assets	**$**	**168,272,006**	**$**	**144,904,157**
Deferred Outflows, Related to Pensions	**$**	**1,728,664**	**$**	**1,214,916**
Liabilities				
Current Liabilities	$	6,182,526	$	8,161,691
Other Liabilities, Noncurrent		3,385,150		1,798,075
Net Pension Liability		10,687,185		6,396,304
Total Liabilities	**$**	**20,254,860**	**$**	**16,356,069**
Deferred Inflows, Related to Pensions	**$**	**1,013,368**	**$**	**953,850**
Net Position	**$**	**148,732,442**	**$**	**128,809,154**

Current assets consist primarily of cash, cash equivalents, various accounts receivables and inventories. The modest decrease of current assets in FY 2017 can be attributed a decrease in cash and cash equivalents offset partially by a slight increase in accounts receivable.

Capital assets increased by $26.318 million or 24% from FY 2016 to FY 2017. After taking into consideration current depreciation expense of $3.889 million, the majority of the increase is the result of the construction in progress of the College Instruction Center (CIC) Building totaling $24.330 million, which is estimated to be completed in January 2018 and is funded through a state capital appropriation. In addition to the CIC Building construction in progress, the College also had a building renovation project for the Electrical Engineering program totaling $1.464 million which was completed August 2017. The College also completed construction of a new building for welding program at Shelton location totaling $1.412 million and an Energy Savings Project to replace the boiler system.

Deferred outflows of resources and deferred inflows of resources represent pension-related deferrals associated with the implementation of GASB Statement No. 68 in FY 2015 and Statement No. 73 in FY 2017. The College recorded $1.214 million in FY 2016 and $1.728 million in FY 2017 of pension-related deferred outflows. The increase in deferred outflows of $514 thousand or 42% is due to the College's proportionate share of an increase in the state-wide amounts reported by the Department Retirement Systems (DRS).

The College recorded $953 thousand in FY 2016 and $1.013 million in FY 2017 of pension-related deferred inflows. The $60 thousand increase in deferred inflows consists of a $863 thousand increase from the implementation of GASB Statement No. 73 for pension plans held with State Board Retirement Plan (SBRP) and a $803 thousand decrease due to the College's proportionate share of an decrease in the state-wide amounts reported by the DRS.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, Certificate of Participation (COP) debt , due within one year for a 2010 energy efficiency project, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements.

Current liabilities decreased $1.979 million or 24% from FY 2016 to FY 2017 due to a decrease in accounts payable which is the result of the payout related to the settlement of Moore vs. HCA, which was accrued as a liability in FY 2016. In addition, the College had a slight decrease in accrued liabilities and in unearned revenue, as the Washington State Legislature did not pass a budget until the end of June, causing a delay in the availability of financial aid funds to pay summer quarter tuition.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and Certificates of Participation debt, due in more than one year. The College's non-current liabilities increased $5.878 million or 72%. Of this increase $3.017 million is due to the implementation of GASB Statement GASB 73 which reflects the College's proportionate share of the pension liability for the State Board Supplemental Retirement Plan and $1.274 million of the increase is due to the College's proportionate share of an increase in the state-wide amounts reported by the DRS. The changes in non-current liabilities also includes a $1.274 million increase to vacation and sick leave balances.

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

- **Net Investment in Capital Assets:** represents the College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and any outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.
- **Restricted for Nonexpendable:** 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 principal.
- **Restricted for 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 the expendable portion of endowments.
- **Unrestricted:** represents 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.

Management's Discussion and Analysis

Net Position As of June 30th	**FY 2017**	**FY 2016**
Net Investment in Capital Assets	$136,161,990	$109,706,599
Restricted		
Nonexpendable (Endowments)	400,000	400,000
Expendable (3.5% Instit Loan Fund)	289,257	234,303
Unrestricted	11,881,195	18,468,252
Total Net Position	**$148,732,442**	**$128,809,154**

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

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

Management's Discussion and Analysis

Condensed Statement of Revenue, Expenses and Changes in Net Position

For the Year Ended June 30th	FY 2017	FY 2016
Operating Revenues		
Student Tuition and Fees, Net	$ 20,110,397	$ 21,825,273
Auxiliary Enterprise Sales, Net	3,968,439	4,033,036
State and Local Grants and Contracts	10,523,367	10,100,995
Federal Grants and Contracts	817,230	1,187,650
Other Operating Revenues	736,335	835,478
Total operating revenues	**$ 36,155,769**	**$ 37,982,432**
Operating Expenses	**$ 68,120,458**	**$ 67,416,852**
Operating Income (Loss)	**$ (31,964,689)**	**$ (29,434,420)**
Nonoperating Revenues		
State Appropriations	24,881,643	21,866,989
Federal Pell Grant Revenue	7,115,369	8,076,372
Investment Income	126,220	63,196
Nonoperating Expenses	(2,149,135)	(2,295,774)
Total Nonperating Revenues (Expense)	**$ 29,974,097**	**$ 27,710,784**
Income (Loss) before Capital Contributions	**$ (1,990,592)**	**$ (1,723,636)**
Capital Appropriations and Contributions	27,500,483	12,642,783
Change in Net Position	**25,509,891**	**10,919,147**
Net Position, Beginning of the Year	**$ 128,809,154**	**$ 117,916,855**
Cumulative Effect of Change in Accounting Principle	(3,756,336)	-
Prior Period Adjustments	(1,830,267)	(26,848)
Net Position, End of the Year	**$ 148,732,442**	**$ 128,809,154**

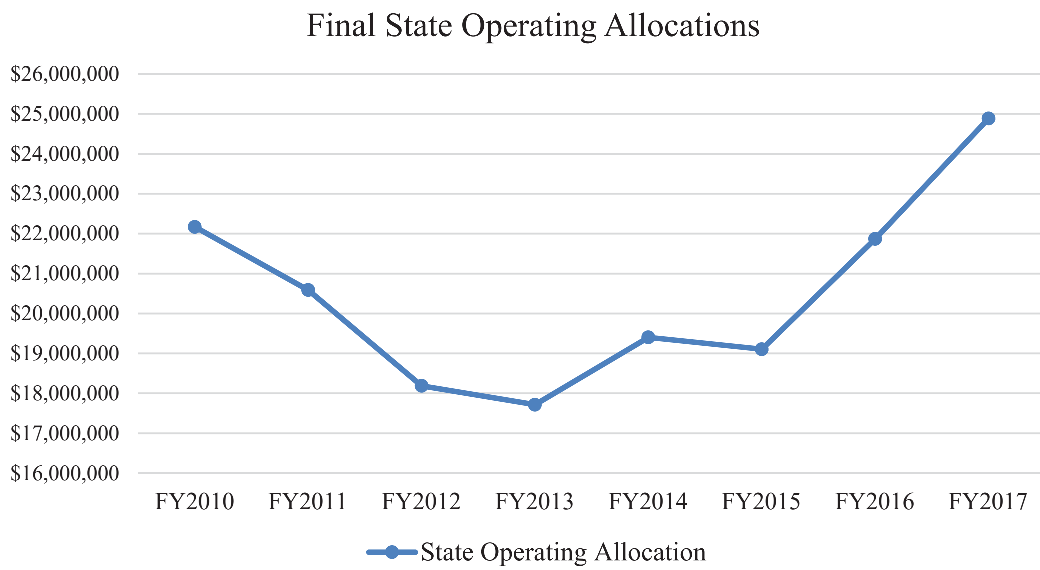
As of July 1, 2016, net position as previously reported was restated. The College's net position was decreased by $1.830 million to correct the prior year's reporting of a compensated absences, change in capital asset valuation and Vendor Payment Advance repayment recorded as a receivable. This resulted in an overstatement of the ending net position for FY 2016. This correction has been correctly reported in the FY 2017 statements.

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 received a one-time allocation of $1.758 million for a portion of its share of Moore vs HCA settlement cost. This allocation does not carry forward to future years.

Management's Discussion and Analysis

In FY 2017, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. This reduced the amount of tuition revenue collected by the College. The Legislature did however backfill a portion of this loss as seen in the graph below.

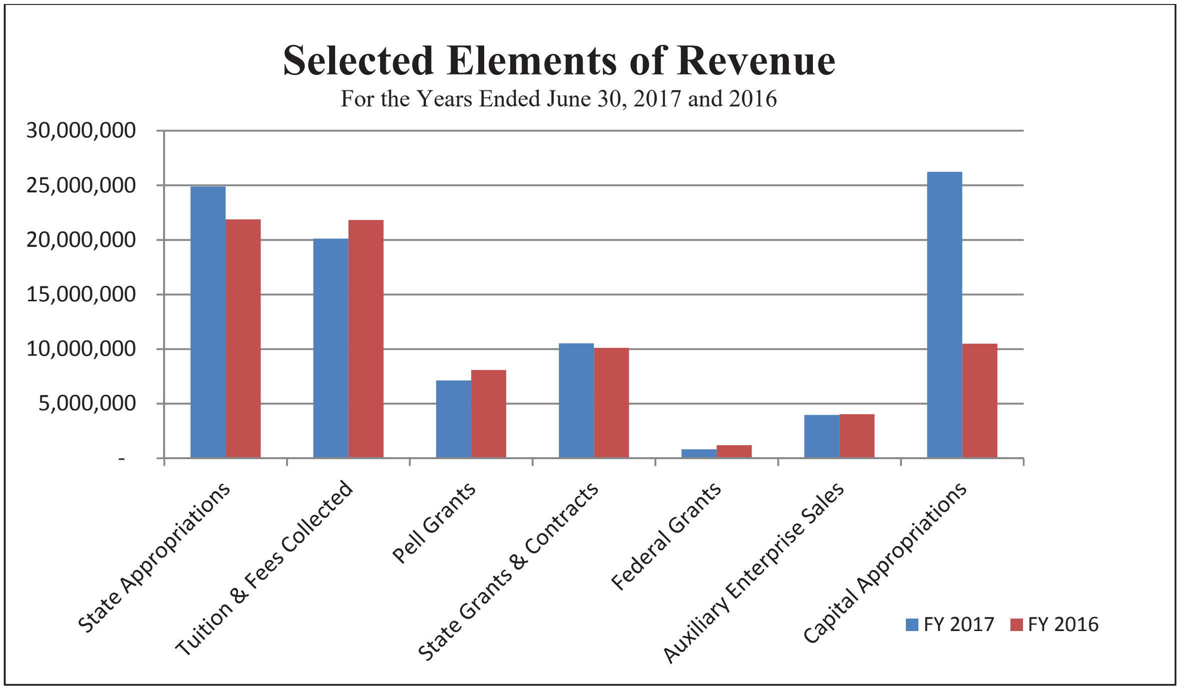


In FY 2017, the College's decrease of $1.715 million or 8% in tuition and fee revenue is primarily attributable to the decline in enrollment along with changes in enrollment levels such as fewer part-time students, but was offset slightly by an increase in international students.

Pell grant revenues generally follow enrollment trends. As the College's enrollment decreased during FY 2017 so did the College's Pell Grant revenue by $961 thousand or 12%. For FY 2017, the College attempted to keep 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, federal and state grant and contract revenues only slightly increased by $51,952 when compared with FY 2016. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses.

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



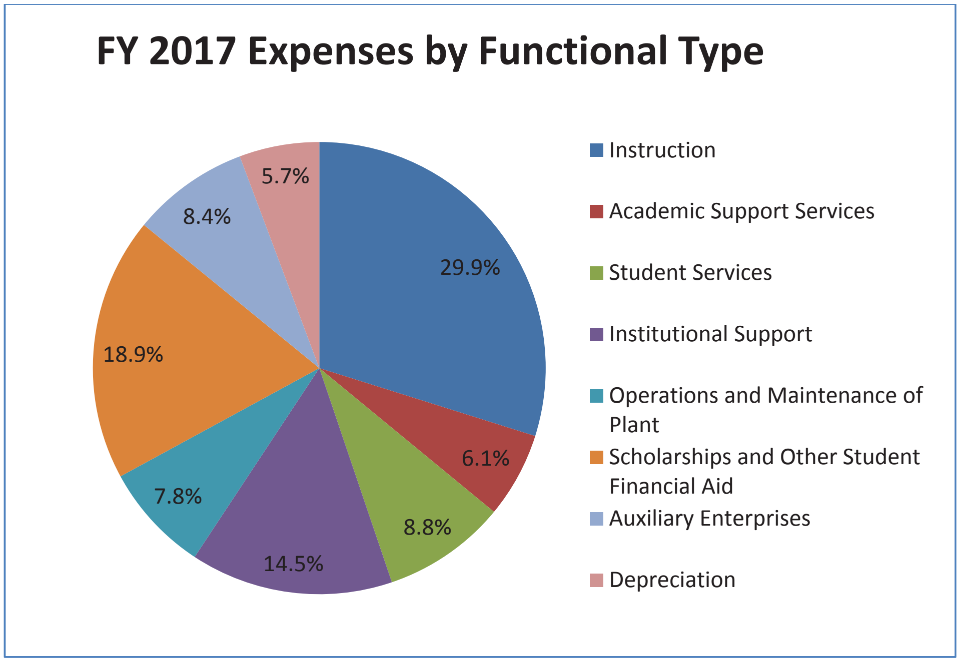
Expenses

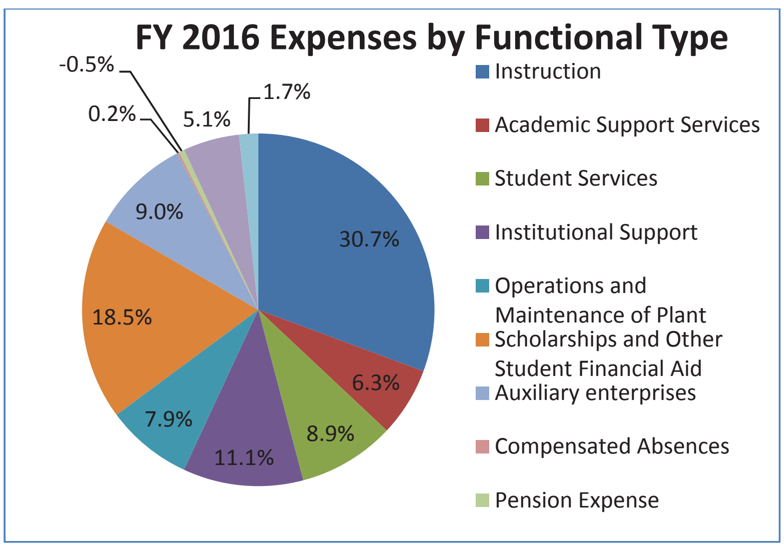
Faced with severe budget cuts over the past six years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions. In FY 2017, benefit costs increased $253 thousand or 3% as result increased costs for healthcare.

Purchased services increased $905 thousand or 64%, primarily as a result of an increase of capital projects that did not meet accounting criteria for capitalization. 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. Other costs reported as operating expense include items such as travel, employee training, non-capitalized equipment, software, printing and other supplies.

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

Capital Assets

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. In addition, the College has one of four community college projects that were funded through a Certificate of Participation (COP) against which system–wide building fee monies were pledged.

At June 30, 2017, the College had $136.597 million in capital assets, net of accumulated depreciation. This represents an increase of $26.318 million or 24% from last year, as shown in the table below.

Asset Type	June 30, 2017	June 30, 2016	Change
Land	$ 11,726,945	$ 11,608,460	$ 118,485
Construction in Progress	39,054,299	12,011,901	27,042,398
Buildings, net	75,806,323	76,091,530	(285,207)
Other Improvements and Infrastructure, net	8,164,800	8,479,511	(314,711)
Equipment, net	1,606,961	1,854,033	(247,072)
Library Resources, net (as restated)	237,629	268,987	(31,358)
Total Capital Assets, Net	**$ 136,596,957**	**$ 110,314,422**	**$ 26,282,535**

A summary of changes in capital assets is disclosed in Note 6.

The increase in net capital assets can be attributed to the construction costs of the College Instruction Center (CIC) Building which is estimated for completion January 2018. The CIC is a multi-purpose facility that will benefit students, faculty, staff and our community. This project is a 70,000 square-foot building which includes space for Health Occupations programs like Nursing and Physical Therapy Assistant and Art, Music and Theatre programs. The College also had an Energy Savings Project to replace the boiler system.

Long-term Debt

At June 30, 2017, the College had $434 thousand in outstanding debt. The College entered into a Certificate of Participation (COP) in 2010 for energy enhancements. The College has no capital leases at this time.

	June 30, 2017	June 30, 2016
Certificates of Participation	$ 434,967	$ 571,830
Total	**$ 434,967**	**$ 571,830**

See Note 11 for additional information on certificates of participation and Note 12 on long-term liabilities.

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 2016. 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. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Due to decrease in enrollment, it is estimated that the College along with all Washington State community and technical colleges will likely see a decrease in state operating appropriations in future years. The College has implemented various initiatives to manage the potential decline in enrollment such as Strategic Enrollment Management and Guided Pathways.

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.

Olympic College
Statement of Net Position
June 30, 2017

Assets	
Current Assets	
Cash and Cash Equivalents	19,995,098
Restricted Cash and Cash Equivalents	352,409
Accounts Receivable, Net	10,529,350
Inventories	797,041
Prepaid Expenses	1,151
Total Current Assets	**31,675,049**
Noncurrent Assets	
Capital Assets, Not Being Depreciated	50,781,244
Capital Assets, Net of Accumulated Depreciation	85,815,713
Total Noncurrent Assets	**136,596,957**
Total Assets	**168,272,006**
Deferred Outflows of Resources, Related to Pensions	1,728,664
Total Deferred Outflows of Resources	**1,728,664**
Liabilities	
Current Liabilities	
Accounts Payable	761,452
Accrued Liabilities	3,245,822
Deposits Payable	17,735
Unearned Revenue	2,016,669
Certificates of Participation, Due Within One Year	140,848
Total Current Liabilities	**6,182,526**
Noncurrent Liabilities	
Compensated Absences	3,091,031
Net Pension Liability	10,687,185
Certificates of Participation, Due in More Than One Year	294,119
Total Noncurrent Liabilities	**14,072,334**
Total Liabilities	**20,254,860**
Deferred Inflows of Resources, Related to Pensions	1,013,368
Total Deferred Inflows of Resources	**1,013,368**
Net Position	
Net Investment in Capital Assets	136,161,990
Restricted for:	
Nonexpendable	400,000
Expendable	289,257
Unrestricted	11,881,195
Total Net Position	**148,732,442**

The Notes to the Financial Statements are an integral part of this statement.

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

Operating Revenues	
Student Tuition and Fees, Net	20,110,397
Auxiliary Enterprise Sales, Net	3,968,439
State and Local Grants and Contracts	10,523,367
Federal Grants and Contracts	817,230
Other Operating Revenues	736,335
Total Operating Revenues	**36,155,769**
Operating Expenses	
Operating Expenses	6,605,655
Salaries and Wages	28,106,705
Employee Benefits	9,769,932
Scholarships and Fellowships	12,782,921
Supplies and Materials	3,560,225
Depreciation	3,889,837
Purchased Services	2,328,576
Utilities	1,076,607
Total Operating Expenses	**68,120,458**
Operating Income (Loss)	**(31,964,689)**
Nonoperating Revenues (Expenses)	
State Appropriations	24,881,643
Federal Pell Grant Revenue	7,115,369
Investment Income	126,220
Building Fee Remittance	(1,697,506)
Innovation Fund Remittance	(436,080)
Interest on Indebtedness	(15,549)
Total Nonoperating Revenues (Expenses)	**29,974,097**
Income (Loss) before Capital Appropriations and Contributions	**(1,990,592)**
Capital Appropriations	26,233,885
Capital Contributions	1,066,598
Noncash Capital Contribution, Equipment	200,000
Change in Net Position	**25,509,891**
Net Position, Beginning of Year	**128,809,154**
Cumulative Effect of Change in Accounting Principle	(3,756,336)
Prior Period Adjustments (See Note 2)	(1,830,267)
Net Position, Beginning of Year, As Restated	**123,222,551**
Net Position, End of Year	**148,732,442**

The Notes to the Financial Statements are an integral part of this statement.

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

Cash Flow from Operating Activities	
Student tuition and fees	19,811,786
Grants and contracts	11,126,754
Payments to vendors	(6,291,574)
Payments for utilities	(1,051,079)
Payments to employees	(27,990,517)
Payments for benefits	(9,662,921)
Auxiliary enterprise sales	3,969,110
Payments for scholarships and fellowships	(12,782,921)
Other receipts (payments)	(12,369,114)
Net cash used by operating activities	**(35,240,478)**
Cash Flow from Noncapital Financing Activities	
State appropriations	25,963,377
Pell grants	7,115,369
Building fee remittance	(1,793,366)
Innovation fund remittance	(426,980)
Net cash provided by noncapital financing activities	**30,858,400**
Cash Flow from Capital and Related Financing Activities	
Capital appropriations	29,087,533
Capital contributions	1,066,598
Purchases of capital assets	(29,971,298)
Principal paid on capital debt	(136,863)
Interest paid	(15,549)
Net cash provided by capital and related financing activities	**30,421**
Cash Flow from Investing Activities	
Income of investments	126,220
Net cash provided by investing activities	**126,220**
Net Decrease in Cash and Cash Equivalents	**(4,225,437)**
Cash and cash equivalents at the beginning of the year	**24,572,944**
Cash and cash equivalents at the end of the year	**20,347,507**

The Notes to the Financial Statements are an integral part of this statement.

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

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating Loss	**(31,964,689)**
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	3,889,837
Pension liability expense adjustment	80,313
Decreases (increases) in assets:	
Accounts Receivables, net	(5,599,098)
Inventories	(26,335)
Other assets	1,765
Increases (decreases) in liabilities:	
Accounts payable	(909,711)
Accrued liabilities	(2,216,804)
Unearned revenue	(206,854)
Compensated absences	1,727,923
Deposits Payable	(16,825)
Net cash used by operating activities	**(35,240,478)**

Noncash Capital Activities	
Contribution of Equipment	200,000

The Notes to the Financial Statements are an integral part of this statement.

OLYMPIC COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	$ 500,889	$ 524,129
Accounts receivable	6,228	8,709
Pledges receivable, current portion	20,000	-
Prepaid expenses	328	-
Total current assets	527,445	532,838
Endowment Investments	13,838,532	13,122,457
Pledges Receivable, net of current portion	70,000	-
Computers and Equipment, net of accumulated depreciation	980	1,634
Total assets	$ 14,436,957	$ 13,656,929

LIABILITIES AND NET ASSETS	2017	2016
Current Liabilities		
Accounts payable	$ 1,264	$ 11,227
Scholarships payable	397,830	381,577
Programs payable	44,207	108,452
Deferred revenue	8,500	3,000
Total liabilities	451,801	504,256
Net Assets		
Unrestricted		
Undesignated	95,691	198,846
Board-designated	709,662	449,121
Total unrestricted net assets	805,353	647,967
Temporarily restricted	3,899,579	3,409,291
Permanently restricted	9,280,224	9,095,415
Total net assets	13,985,156	13,152,673
Total liabilities and net assets	$ 14,436,957	$ 13,656,929

OLYMPIC COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Contributions and bequests	$ 40,389	$ 126,860	$ 184,809	$ 352,058	$ 65,445	$ 185,057	$ 48,900	$ 299,402
Special event proceeds	155,785	-	-	155,785	134,183	-	-	134,183
Less: direct benefit to donors	(50,625)	-	-	(50,625)	(43,158)	-	-	(43,158)
In-kind contributions	460,571	-	-	460,571	292,615	-	-	292,615
Investment earnings (loss), net	358,050	1,038,025	-	1,396,075	(2,549)	(367,688)	-	(370,237)
Net assets released from restriction	674,597	(674,597)	-	-	485,258	(485,258)	-	-
Total support and revenue	1,638,767	490,288	184,809	2,313,864	931,794	(667,889)	48,900	312,805
Expenses								
Program service	948,801	-	-	948,801	658,386	-	-	658,386
Management and general	165,847	-	-	165,847	158,781	-	-	158,781
Fundraising	366,733	-	-	366,733	314,252	-	-	314,252
Total expenses	1,481,381	-	-	1,481,381	1,131,419	-	-	1,131,419
Change in net assets	**157,386**	**490,288**	**184,809**	**832,483**	**(199,625)**	**(667,889)**	**48,900**	**(818,614)**
Net Assets, beginning of year	647,967	3,409,291	9,095,415	13,152,673	847,592	4,077,180	9,046,515	13,971,287
Net Assets, end of year	$ 805,353	$ 3,899,579	$ 9,280,224	$ 13,985,156	$ 647,967	$ 3,409,291	$ 9,095,415	$ 13,152,673

OLYMPIC COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 832,483	$ (818,614)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	654	653
Contributions restricted for investment in endowment	(184,809)	(48,900)
Realized and unrealized loss (gain) on investments	(1,238,225)	672,707
Changes in operating assets and liabilities		
Accounts receivable	2,481	(8,709)
Pledges receivable	(90,000)	-
Prepaid expenses	(328)	5,990
Accounts payable	(9,963)	11,227
Scholarships payable	16,253	71,336
Programs payable	(64,245)	4,144
Deferred revenue	5,500	3,000
Net cash flows from operating activities	(730,199)	(107,166)
Cash Flows from Investing Activities		
Investment purchases	(342,659)	(810,805)
Proceeds from investment sales	864,809	875,424
Net cash flows from investing activities	522,150	64,619
Cash Flows from Financing Activity		
Contributions restricted for investment in endowment	184,809	48,900
Change in cash	**(23,240)**	**6,353**
Cash and Cash Equivalents, beginning of year	524,129	517,776
Cash and Cash Equivalents, end of year	$ 500,889	$ 524,129

JOHN BREMER EDWARD BREMER CONSOLIDATED TRUST
STATEMENTS OF FINANCIAL POSITION
December 31, 2016
With Comparative Totals as of December 31, 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 99,718	$ 262,055
Investments	19,847,252	18,738,094
Rent receivable	160,457	174,004
Deferred rent receivable	6,936	7,500
Federal income tax receivable	1,176	1,959
Prepaid expenses	57,298	59,163
Total current assets	20,172,837	19,242,775
PROPERTY AND EQUIPMENT		
Land	1,728,914	1,728,914
Buildings, fixtures and equipment	12,221,701	11,924,025
Construction in progress	14,824	14,824
	13,965,439	13,667,763
Less accumulated depreciation	(6,821,250)	(6,558,263)
Total property and equipment, net	7,144,189	7,109,500
Total assets	$ 27,317,026	$ 26,352,275

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable	$ 37,635	$ 41,610
Property tax payable	110,976	136,758
Refundable security deposits	11,100	8,114
Contributions payable to Olympic College	-	77,002
Demand note facility	2,000,272	1,212,732
Total current liabilities	2,159,983	1,476,216
LONG-TERM DEBT - DEMAND NOTE FACILITY	-	787,540
NET ASSETS		
Net assets, temporarily restricted	25,157,043	24,088,519
Total liabilities and net assets	$ 27,317,026	$ 26,352,275

JOHN BREMER EDWARD BREMER CONSOLIDATED TRUST
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total 2016	Total 2015
REVENUES				
Rental	$ -	$ 805,512	$ 805,512	$ 716,401
Interest	-	40,531	40,531	44,479
Dividends	-	457,659	457,659	481,397
Miscellaneous income	-	4,223	4,223	3,739
Net realized gain on investments	-	314,163	314,163	686,009
Net unrealized loss on investments	-	788,628	788,628	(1,547,161)
Assets released from restrictions	1,342,192	(1,342,192)	-	-
Total revenues	1,342,192	1,068,524	2,410,716	384,864
EXPENSES				
General and administrative	1,149,625	-	1,149,625	1,088,513
Distributions to Olympic College	192,567	-	192,567	78,752
Total expenses	1,342,192	-	1,342,192	1,167,265
CHANGE IN NET ASSETS	-	1,068,524	1,068,524	(782,401)
NET ASSETS				
Beginning of year	-	24,088,519	24,088,519	24,870,920
End of year	$ -	$ 25,157,043	$ 25,157,043	$ 24,088,519

JOHN BREMER EDWARD BREMER CONSOLIDATED TRUST
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 1,068,524	$ (782,401)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	262,987	233,328
Realized gain on investments	(314,163)	(686,009)
Unrealized (gain) loss on investments	(788,628)	1,547,161
Decrease (increase) in:		
Rent receivable	13,547	(153,326)
Deferred rent receivable	564	(2,310)
Federal income tax receivable	783	-
Prepaid expenses	1,865	(21,105)
Increase (decrease) in:		
Accounts payable	(3,975)	3,405
Property taxes payable	(25,782)	(2,259)
Refundable security deposits	2,986	(5,403)
Contributions payable to Olympic College	(77,002)	77,002
Net cash provided by operating activities	141,706	208,083
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(6,215,296)	(6,845,285)
Proceeds from sale of investments	6,208,929	7,300,345
Purchases of property and equipment	(297,676)	(617,888)
Net cash used by investing activities	(304,043)	(162,828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on demand note facility	-	(812,766)
Proceeds from issuance of demand note facility	-	556,803
Net cash used by financing activities	-	(255,963)
Decrease in cash and cash equivalents	(162,337)	(210,708)
Cash & cash equivalents, beginning of year	262,055	472,763
Cash & cash equivalents, end of year	$ 99,718	$ 262,055

Notes to the Financial Statements

June 30, 2017
These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

The financial statements of Olympic College have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), including 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). The significant accounting policies are descripted below:

Financial Reporting Entity

Olympic College (the College) is an agency of the State of Washington. The financial activity of the college is included as part of the entire community and technical college system in the State's Comprehensive Annual Financial Report (CAFR). Olympic College is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers bachelor's degrees, 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 Olympic College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1993 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to support student success and program excellence at Olympic College by promoting and receiving philanthropic gifts for the benefit of Olympic College, including student scholarships, program enhancements, professional development, equipment, capital projects, cultural events and activities that enrich the entire college community. 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. Component units are reported as part of the reporting entity under either the blended or discrete method of presentation. A discrete 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 and 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 $346,034 to the College for scholarships related to tuition and fees. A copy of the Foundation's complete financial statements may be obtained from the Director of the Foundation, Olympic College, 1600 Chester Avenue, Bremerton, WA 98337 or by calling (360) 475-7120.

Notes to the Financial Statements

The College is the beneficiary of the John Bremer and Edward Bremer Consolidated Trust. On January 1, 1987, the Estate of Ed Bremer and the John Bremer Residuary Trust formed Bremers Partnership by each contributing property. On January 1, 1988, the assets of the Estate were transferred into the Trust, the resulting reporting entity. The endowments of the Trust require that the trustee distribute to Olympic College, on an annual basis, a minimum of 50% of the change in net assets of the Trust, exclusive of capital gains or losses. The Bremer Trust financial statements are discretely presented in this report. The Trust'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 Bremer Trust are not eliminated for financial statement presentation. During the fiscal year ended, the Trust distributed $192,567 to the College. A copy of the Trust's complete financial statements may be obtained from Sarah Andresen, Hearthstone CPA Group, 400 Warren Avenue, Suite 430, Bremerton, WA 98337.

Basis of Accounting

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

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

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College records all cash and cash equivalents at amortized cost, which approximates fair value or at fair value. The College combines unrestricted cash and cash equivalent funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis each month.

Notes to the Financial Statements

Restricted Assets
Certain cash and cash equivalent funds are classified as restricted assets if their use is legally or contractually prohibited and such use limitations are externally imposed by creditors, contractual or funding source agreements, or legislation. The assets held in these accounts are restricted for specific uses.

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

Inventories
Inventories, consisting primarily of merchandise for resale in the college bookstore and course-related supplies; cost is determined using first-in, first-out method (FIFO).

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, per acquisition 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, assets are capitalized as follows:

- All land
- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a unit cost of $100,000 or more
- Intangible assets and software with a unit cost of $1,000,000 or more
- All other capital assets with a unit cost of $5,000 or greater, or collections with a total cost of $5,000 or greater

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 (OFM). Useful lives are generally 3 to 7 years for equipment, 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

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

See Note 6 for the capital asset components, balances and activity for the fiscal year.

Notes to the Financial Statements

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 and fall quarter tuition and fees as unearned revenues.

Tax Exemption

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense in accordance with GASB 68, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. 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. See Note 15 for more details.

In FY17, the College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 (Accounting and Financial Reporting for Pensions).* The reporting requirements are similar to GASB 68 but use current fiscal yearend as the measurement date for reporting the pension liabilities. See Note 16 for more details.

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 –** The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and any outstanding debt obligations related to those capital assets.
- **Restricted for Nonexpendable –** 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 principal.
- **Restricted for Expendable –** Includes 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 the expendable portion of endowments.

- **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.

Classification of Revenues and Expenses

The College has classified its revenues and expenses as either operating or non-operating 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. The grants and contracts support the operational/educational activities of the college. Examples include a contract with the Office of the Superintendent of Public Instruction (OSPI) to offer Running Start and the Adult Basic Education (ABE) grant that supports the primary educational mission of the college.

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

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

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 $1,110,361.

State and Capital Appropriations

The state of Washington appropriates funds to the College on both an annual and biennial basis. State appropriations are reported as non-operating revenues and State capital appropriations are

Notes to the Financial Statements

reported as capital contributions on the Statements of Revenues, Expenses, and Changes in Net Position, and both are recognized when the related expenses are incurred.

Building and Innovation Fee Remittance
Tuition collected includes amounts that have been remitted for the Building Fee and Innovation Fee to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature and is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th calendar day of each quarter.

The Innovation Fee was established in order to fund the State Board of Community and Technical College's (SBCTC) 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

Change in Accounting Principle
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 cumulative effect of change in accounting principle adjustment to beginning net position as previously reported of ($3,756,336) as a result of the implementation of GASB Statement No. 73.

Compensated Absences Liability
The liability for non-current compensated absences reported in the prior year's financial statements was understated due to an error in the calculation used to determine the year end liability. The correction of this error resulted in a prior period adjustment to the beginning net position in the amount ($1,584,735) in the financial statements. The beginning balance for Compensated Absences reported in the Notes to the Financial Statements was restated to $2,952,685 from the ending balance disclosed in the prior year's financial statements.

Vendor Payment Advance Loan Repayment
The College determined the repayment to the State Treasurer for the $282,600 Vendor Payment Advance payment for the 2015-2017 biennium had been misclassified as a receivable in the prior

year's financial statements. The correction of this misclassification resulted in a prior period adjustment to the beginning net position in the amount ($282,600) in the financial statements.

Valuation of Library Resources
During the fiscal year ending June 30, 2017, the College determined that the reported asset and accumulated depreciation balances for Library resources disclosed in the Notes to the Financial Statements and included in the reported total for Capital Assets, not being Depreciated on the Statement of Net Position in previous years included a significant amount of assets fully depreciated. The College also identified costs that should have been expensed were included in the capitalized cost of Library Resources not yet fully depreciated. The useful life used to allocate the cost of Library resources remained unchanged at 7 years.

The change in valuation of the Library Resources resulted in a net prior period adjustment to the beginning net position in the amount $37,068 in the financial statements. The beginning balance for Library resources reported in the Notes to the Financial Statements was restated from $4,778,704 to $775,254 and the related accumulated depreciation was restated from ($4,546,785) to ($506,267) from the reported ending balances in the prior year's financial statements.

Net position, beginning of year, as restated

Beginning net position as previously reported at June 30, 2016	$128,809,154
Cumulative Effect of Change in Accounting Principle	(3,756,336)
Prior period adjustment, Compensated absences liability understatement	(1,584,735)
Prior period adjustment, Vendor payment advance loan repayment	(282,600)
Prior period adjustment, Library resources valuation change	37,068
Net position, beginning of year, restated	$123,222,551

Accounting Standard Impacting the Future
In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB),* which will be in effect for the fiscal year ending June 30, 2018. This Statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employer through plans that are administered through trusts or equivalent arrangements. This Statement also establishes standards of accounting and financial reporting for OPEB plans that are not administered through trusts or equivalent arrangements. The College's participation in OPEB is described in Note 17, and does not currently impact the College's financial statements.

As a result of implementing this Statement, the College will be required to recognize its proportionate share of the state's actuarially determine OPEB liability, net of any assets segregated and restricted in a qualified trust, together with any associated deferred inflows and deferred outflows of resources, benefit expense related to the plan, and to restate net position for all periods presented. This Statement will have a significant impact on the College's financial statements.

Notes to the Financial Statements

3. Cash and Investments

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

The College can contribute or withdraw funds in any amount from the LGIP on a daily basis. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. For reporting purposes, the State considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates. The College adjusts its LGIP investment amounts monthly to reflect interest earnings as reported from the Office of the State Treasurer.

As of June 30, 2017, the carrying amount of the College's cash and equivalents was $20,347,507 as represented in the table below.

Cash and Cash Equivalents	**June 30, 2017**
Change Funds	$ 10,640
Bank Demand and Time Deposits	4,862,314
Local Government Investment Pool	15,474,553
Total Cash and Cash Equivalents	**$ 20,347,507**

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. All cash and equivalents, except for change funds 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).

Notes to the Financial Statements

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	$ 3,505,925
Due from the Federal Government	752,489
Due from Other State Agencies	5,212,312
Auxiliary Enterprises	82,179
Due from Local Governments	1,619,882
Subtotal	11,172,787
Less Allowance for Uncollectible Accounts	(643,437)
Accounts Receivable, net	**$ 10,529,350**

5. Inventories

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

Inventories	**Amount**
Merchandise Inventories	$ 797,041
Inventories	**$ 797,041**

Notes to the Financial Statements

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 $3,889,837.

Capital Assets	Beginning Balance 6/30/2016	Increases	Decreases	Ending Balance 6/30/2017
Capital assets, not being depreciated:				
Land	$ 11,608,460	$ 118,485	$ 0	$ 11,726,945
Construction in progress	12,011,901	27,201,787	(159,389)	39,054,299
Total capital assets, not being depreciated	**23,620,361**	**27,320,272**	**(159,389)**	**50,781,244**
Capital assets, being depreciated:				
Buildings	105,763,617	2,181,048	0	107,944,665
Other improvements and infrastructure	14,270,825	421,757	0	14,692,582
Equipment	7,294,485	340,693	(16,704)	7,618,474
Library resources (beginning balance restated)	775,254	67,991	(147,801)	695,444
Total capital assets, being depreciated	**128,104,181**	**3,011,489**	**(164,505)**	**130,951,165**
Less accumulated depreciation for:				
Buildings	(29,672,088)	(2,466,255)	0	(32,138,343)
Other improvements and infrastructure	(5,791,313)	(736,468)	0	(6,527,781)
Equipment	(5,440,452)	(587,765)	16,704	(6,011,513)
Library resources (beginning balance restated)	(506,267)	(99,349)	147,801	(457,815)
Total accumulated depreciation	**(41,410,120)**	**(3,889,837)**	**164,505**	**(45,135,452)**
Total capital assets being depreciated, net	**86,694,061**	**(878,348)**	**(0)**	**85,815,713**
Total capital assets, net	**$ 110,314,422**	**$ 26,441,924**	**$ (159,389)**	**$ 136,596,957**

As disclosed in Note 2, *Accounting and Reporting changes*, the College restated the beginning balances for Library resources and the related accumulated depreciation as of June 30, 2016 from the prior year's reported ending balances.

Construction in progress increased by $27,042,398 from FY 2016 to FY 2017, the majority of this increase is the result of an increase in expenses related to the College Instruction Center (CIC) Building, which is estimated to be completed in January 2018.

7. Accounts Payable and Accrued Liabilities

At June 30, 2017, accounts payable and accrued liabilities are as follows:

Notes to the Financial Statements

Accounts Payable and Accrued Liabilities	Amount
Due to Other Governments and Other Agencies	$ 1,836,705
Salaries and Benefits Payable	1,344,987
Accounts Payable	761,452
Amounts Held for Retainage	64,130
Total	**$ 4,007,274**

8. Deposits Payable

Deposits payable include housing deposits, as follows:

Deposits Payable	Amount
Housing and Other Deposits	$ 17,735
Total Deposits Payable	**$ 17,735**

9. Unearned Revenue

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

Unearned Revenue	Amount
Summer & Fall Quarter Tuition & Fees	$ 2,016,669
Total Unearned Revenue	**$ 2,016,669**

10. Compensated Absences

The accrued leave liability balance as of June 30, 2017 is $3,091,301. The components of this liability include vacation and sick leave earned and unused for exempt professionals, civil service employees and faculty on annual appointments.

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 $1,079,116 and accrued sick leave totaled $2,011,915 at June 30, 2017. Accrued annual and sick leave are categorized as non-current liabilities.

11. Certificates of Participation

In June 2010, the College obtained financing in order to implement energy enhancements on all three campuses through a certificate of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $1,316,981. The financing term is 10 years and the interest rate is 2.89%. The COP outstanding as of June 30, 2017 is $434,967.

Notes to the Financial Statements

The College's annual debt service requirements to maturity for this note agreement are as follows:

Annual Debt Service Requirements Certificates of Participation			
Fiscal year	**Principal**	**Interest**	**Total**
2018	140,848	11,564	152,412
2019	144,950	7,462	152,412
2020	149,170	3,242	152,412
Total	**$ 434,967**	**$ 22,268**	**$ 457,235**

12. Schedule of Long-Term Liabilities

During the fiscal year ended June 30, 2017 the following changes occurred related to long-term debt obligations:

Schedule of Long-Term Liabilities	Balance outstanding 6/30/16	Additions	Reductions	Balance outstanding 6/30/17	Current portion
Certificates of Participation	$ 571,830	$ 0	$ (136,863)	$ 434,967	$ 140,848
Compensated Absences (beginning balance restated)	2,952,685	1,366,235	(1,227,887)	3,091,031	0
Net pension liability - Pension plans held with Department of Retirement Systems	6,396,304	1,273,737	0	7,670,041	0
Net pension liability - Pension plans held with State Board Retirement Plan	0	3,017,144	0	3,017,144	0
Total	**$ 9,920,819**	**$ 5,657,116**	**$ (1,364,750)**	**$ 14,213,183**	**$ 140,848**

As disclosed in Note 2, *Accounting and Reporting changes*, the College restated the beginning balances for Compensated Absences as of June 30, 2016 from the prior year's reported ending balance.

13. Operating Leases

The College is obligated under various operating leases for the use of equipment. All operating leases are with parties outside state government. Future commitments for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2017 are as follows:

Operating Leases	
Fiscal year ending	Lease Payments
2018	$ 136,593
2019	128,837
2020	92,801
2021	78,801
Total minimum lease payments	$ 437,032

The College rental and lease expense totaled $346,716 in 2017.

Notes to the Financial Statements

14. Retirement Plans

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 public employee defined benefit and defined contribution retirement plans. administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan (SBRP) is a defined contribution single employer pension plan with a supplemental payment when required. SBRP is administered by the State Board for Community and Technical Colleges (SBCTC) and available to faculty, exempt administrative and professional staff of the state's public community and technical colleges. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. The College reports its proportionate share of the total pension liability as it is a part of the college system.

Olympic College implemented Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions for the fiscal year ending June 30, 2015 financial reporting. The College's defined benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the State Board Retirement Plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB. In accordance with Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities to align with the State CAFR.

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement No. 68 and Statement No. 73 for Olympic College for the fiscal year ending June 30, 2017:

Aggregate Pension Amounts – All Plans			
	GASB 68	GASB 73	Total
Pension liabilities	($7,670,041)	($3,017,144)	($10,687,185)
Deferred outflows of resources	$1,728,664	$ -	$1,728,664
Deferred inflows of resources	($150,093)	($863,275)	($1,013,368)
Pension expense/expenditures	($ 43,769)	$124,082	$80,313

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.

15. Pension Plans administered by the Department of Retirement Systems

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. 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.

For the 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 pension plans administered by DRS and additions to/deductions from the plans' net position have been determined on the same basis as they are reported by the plans. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employee's Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Notes to the Financial Statements

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	0.00%
Administrative Fee	0.18%	0.00%
Total	**11.18%**	**6.00%**

PERS Plan 2/3 defined benefit plan provides retirement, disability and death benefits. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the consumer price index), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer**	**Employee**
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	0.00%
Administrative Fee	0.18%	0.00%
Employee PERS Plan 3	0.00%	Varies 5-15%
Total	**11.18%**	**6.12%**

The College's actual PERS plan contributions were $347,963 to PERS Plan 1 and $422,373 to PERS Plan 2/3 for the year ended June 30, 2017.

Teachers' Retirement System (TRS)

TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. An individual establishes membership in the system by being employed as a teacher in the public schools. Teacher means any person who is qualified to teach and who is employed by a public school (state, school districts and educational services districts) as an instructor, administrator or supervisor. The College has 22 faculty members with pre-existing eligibility who continue to participate in TRS 1, TRS 2 and TRS 3.

TRS Plan 1 provides retirement, disability and survivor benefits. TRS 1 members were vested after the completion of five years of service credit. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent of AFC. The AFC is the average of the members two consecutive highest-paid fiscal years. Members are eligible for retirement at any age after 30 years of service credit, at the age of 60 with five years of service credit, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. The plan was closed to new entrants on September 30, 1977.

The **TRS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state

Notes to the Financial Statements

Pension Funding Council adopts Plan 1 employer contribution rates. The TRS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

TRS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
TRS Plan 1	6.72%	6.00%
TRS Plan 1 UAAL	6.23%	0.00%
Administrative Fee	0.18%	0.00%
Total	**13.13%**	**6.00%**

TRS Plan 2/3 defined benefit plan provides retirement, disability and survivor benefits. Members are vested after five years of service credit for Plan 2 and. Plan 3 members are vested after 10 years of service credit or after five years of service credit with at least 12 of those months being earned after age 44 or if the member earned five years of service credit in Plan 2.

Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with at least five years of service credit for Plan 2 and 10 years of service credit for Plan 3. Retirement before age 65 is considered an early retirement. Early retirement options include:

- Members who have at least 20 years of service credit for Plan 2 or at least 10 years of service credit for Plan 3 and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.
- Members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.
- Members who have 30 or more years of service credit, were hired on or after May 1, 2013, and are at least 55 years old, can retire with a benefit that is reduced by five percent for each year before age 65.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index) capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. TRS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. TRS Plan 3 members are immediately vested in the defined contribution portion of their plan.

The **TRS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer

Notes to the Financial Statements

rates include a component to address the TRS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. The TRS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

TRS Plan 2/3		
Actual Contribution Rates:	**Employer**	**Employee**
TRS Plan 2/3	6.72%	5.95%
TRS Plan 1 UAAL	6.23%	0.00%
Administrative Fee	0.18%	0.00%
Employee TRS Plan 3	0.00%	Varies 5-15%
Total	**13.13%**	**5.95%**

The College's actual TRS plan contributions were $48,871 to TRS Plan 1 and $41,327 to TRS Plan 2/3 for the year ended June 30, 2017.

Actuarial Assumptions
The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA 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, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation. For all systems the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.

Discount Rate
The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an 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 being made at contractually required rates (including PERS 2/3 and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities).

Based on these assumptions, the pension plans' 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 was used to determine the total liability.

Long-Term Expected Rate of Return

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.

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The WSIB used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
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%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

Notes to the Financial Statements

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$4,094,025	$3,394,997	$2,793,440
PERS 2/3	6,926,588	3,762,038	(1,958,358)
TRS 1	489,176	397,929	319,333
TRS 2/3	260,447	115,082	(133,691)

Pension Plan Fiduciary Net Position
Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions Administered by DRS
At June 30, 2017, the College reported a total pension liability related to GASB 68 pensions of $7,670,041 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$3,394,992
PERS 2/3	3,762,040
TRS 1	397,928
TRS 2/3	115,082

At June 30, 2017 the College's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.063350 %	0.063216 %	(0.000134 %)
PERS 2/3	0.075225 %	0.074719 %	(0.000506 %)
TRS 1	0.010527 %	0.011655 %	0.001128 %
TRS 2/3	0.007249 %	0.008380 %	0.001131 %

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for both PERS and TRS plans.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense
Pension expense is reported as part of the "Employee Benefits" expense on the Statement of Revenue, Expense and Changes in Net Position. For the year ended June 30, 2017, the College recognized pension expense as follows:

	Pension Expense
PERS 1	($156,790)
PERS 2/3	107,197
TRS 1	15,061
TRS 2/3	(9,236)
TOTAL	**($43,769)**

Deferred Outflows of Resources and Deferred Inflows of Resources
At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ 85,481	$ -
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 347,963	$ -
TOTAL	**$ 433,444**	**$ -**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 200,326	$ 124,191
Net difference between projected and actual investment earnings on pension plan investments	$ 460,365	$ -
Changes of assumptions	$ 38,884	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 32,495	$ 16,740
Contributions subsequent to the measurement date	$ 422,373	$ -
TOTAL	**$ 1,154,443**	**$ 140,931**

TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ 12,621	$ -
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 48,871	$ -
TOTAL	**$ 61,492**	**$ -**

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,706	$ 5,106
Net difference between projected and actual investment earnings on pension plan investments	$ 18,525	$ -
Changes of assumptions	$ 1,172	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 9,555	$ 4,055
Contributions subsequent to the measurement date	$ 41,327	$ -
TOTAL	**$ 79,285**	**$ 9,161**

TOTAL ALL Funds	**$ 1,728,664**	**$ 150,092**

Deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year end June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2018	($ 21,047)	$ 18,950	($ 3,262)	$ 373
2019	($ 21,047)	$ 8,119	($ 3,262)	$ 373
2020	$ 78,505	$ 346,882	$ 11,808	$ 16,368
2021	$ 49,070	$ 217,187	$ 7,338	$ 11,177
2022	$ -	$ -	$ -	$ 507
Thereafter	$ -	$ -	$ -	$ -

Notes to the Financial Statements

16. Pension Plans administered by the State Board for Community and Technical Colleges State Board Retirement Plan (SBRP) – Supplemental Defined Benefits Plans

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. As of July 1, 2011, all the Supplemental Retirement Benefit Plans were closed to new entrants.

Olympic College participates in this plan as authorized by chapter 28B.10 RCW and reports its proportionate share of the total pension liability. State Board makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2017 were each $1,519,604.

Benefits Provided. The State Board Retirement Plans provide retirement, disability, and death benefits to eligible members. 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 Community and Technical Colleges in the amount of $902,000. The College's share of this amount was $28,632. 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 $84,164. This amount was not used as a part of GASB 73 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 $13,280,150 of the fund balance.

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

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

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 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 State Board 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, Olympic College reported $124,082 for pension expense in the State Board Retirement Plans.

Proportionate Shares of Pension Liabilities
The College’s proportionate share of pension liabilities for fiscal year ending June 30, 2017 was 3.174270%. 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:

Notes to the Financial Statements

Number of Participating Members				
Plan	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
State Board for Community and Technical Colleges	6	0	212	218

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

Change in Total Pension Liability/(Asset)	
Service cost	172
Interest	112
Changes of benefit terms	-
Differences between expected and actual experience	(804)
Changes of assumptions	(190)
Benefit payments	(29)
Net change in Total Pension Liability	(739)
Total Pension Liability - Beginning	3,756
Total Pension Liability - Ending	3,017

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):

	Decrease 1%	Current Discount Rate	Increase 1%
State Board for Community and Technical Colleges	3,466	3,017	2,645

Notes to the Financial Statements

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

State Board for Community and Technical Colleges	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$0	$698
Changes of assumptions	$0	$165
Transactions subsequent to the measurement date	$0	$0
TOTAL	**$0**	**$863**

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	
2018	($131)
2019	($131)
2020	($131)
2021	($131)
2022	($131)
Thereafter	($209)

17. 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 $19,072,258, with an annual required contribution (ARC) of $1,718,450. 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 $368,712. The College's net OPEB obligation at June 30, 2017 was approximately $5,027,094. This amount is not included in the College's financial statements.

The College paid $4,952,328 for active and retiree healthcare expenses in 2017, which included its pay-as-you-go portion of the OPEB liability.

18. 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 $62,307. Cash reserves for unemployment compensation for all employees at June 30, 2017, were $189,668.

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.

Notes to the Financial Statements

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	$	20,342,580
Academic Support Services		4,157,226
Student Services		6,024,537
Institutional Support		9,853,100
Operations and Maintenance of Plant		5,295,891
Auxiliary enterprises		5,712,320
Scholarships and Other Student Financial Aid		12,844,967
Depreciation		3,889,837
Total operating expenses	**$**	**68,120,458**

20. Commitments and Contingencies

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

The College has commitments of approximately $13,077,475 for various capital projects of which $11,126,510 is for the College Instruction Center (CIC) Building and demolition of Art and Theatre; estimated completion date is January 2018. The remaining commitments are for improvement projects on all three campuses.

Olympic College
Schedule of Proportionate Share of the Net Pension Liability
Pension Plans
Last 3 Fiscal Years
As of June 30, 2016

PERS 1		Fiscal year ending June 30, 2016	2015	2014
Employer's proportion of the net pension liability (asset)	%	0.063216%	0.063350%	0.064316%
Employer's proportionate share of the net pension liability	$	3,394,997	3,313,794	3,239,949
TOTAL	$	**3,394,997**	**3,313,794**	**3,239,949**
Covered payroll	$	7,284,208	6,649,199	6,733,233
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	46.61%	49.84%	48.12%
Plan fiduciary net position as a percentage of the total pension liability	%	57.03%	59.10%	61.19%

PERS 2/3		Fiscal year ending June 30, 2016	2015	2014
Employer's proportion of the net pension liability (asset)	%	0.074719%	0.075225%	0.075259%
Employer's proportionate share of the net pension liability	$	3,762,038	2,687,832	1,521,256
TOTAL	$	**3,762,038**	**2,687,832**	**1,521,256**
Covered payroll	$	7,016,997	6,388,812	6,443,072
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	53.61%	42.07%	23.61%
Plan fiduciary net position as a percentage of the total pension liability	%	85.82%	89.20%	93.29%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Schedule of Proportionate Share of the Net Pension Liability
Pension Plans
Last 3 Fiscal Years
As of June 30, 2016

TRS 1		Fiscal year ending June 30, 2016	2015	2014
Employer's proportion of the net pension liability (asset)	%	0.011655%	0.010527%	0.010725%
Employer's proportionate share of the net pension liability	$	397,929	333,510	316,329
TOTAL	$	397,929	333,510	316,329
Covered payroll	$	501,360	360,956	402,042
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	79.37%	92.40%	78.68%
Plan fiduciary net position as a percentage of the total pension liability	%	62.07%	65.70%	68.77%

TRS 2/3		Fiscal year ending June 30, 2016	2015	2014
Employer's proportion of the net pension liability (asset)	%	0.008380%	0.007249%	0.007399%
Employer's proportionate share of the net pension liability	$	115,082	61,167	23,899
TOTAL	$	115,082	61,167	23,899
Covered payroll	$	417,206	298,341	323,553
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	27.58%	20.50%	7.39%
Plan fiduciary net position as a percentage of the total pension liability	%	88.72%	92.48%	96.81%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Schedule of Employer Contributions
Pension Plans
For the year ended June 30, 2017
Last 4 Fiscal Years

PERS 1		Fiscal year ending June 30, 2017	2016	2015	2014
Statutorily or contractually required contributions	$	348,252	358,495	291,155	284,682
Contributions in relation to the statutorily or contractually required contributions	$	(348,252)	(358,495)	(291,155)	(284,682)
Contribution deficiency (excess)	$	0	0	0	0
Covered payroll	$	7,006,847	7,284,208	6,936,491	6,733,233
Contributions as a percentage of covered payroll	%	4.97%	4.92%	4.20%	4.23%

PERS 2/3		Fiscal year ending June 30, 2017	2016	2015	2014
Statutorily or contractually required contributions	$	422,500	431,346	335,092	317,926
Contributions in relation to the statutorily or contractually required contributions	$	(422,500)	(431,346)	(335,092)	(317,926)
Contribution deficiency (excess)	$	0	0	0	0
Covered payroll	$	6,781,731	7,016,997	6,676,104	6,443,072
Contributions as a percentage of covered payroll	%	6.23%	6.15%	5.02%	4.93%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Schedule of Employer Contributions
Pension Plans
For the year ended June 30, 2017
Last 4 Fiscal Years

TRS 1		Fiscal year ending June 30, **2017**	**2016**	**2015**	**2014**
Statutorily or contractually required contributions	$	48,485	35,421	23,556	21,209
Contributions in relation to the statutorily or contractually required contributions	$	(48,485)	(35,421)	(23,556)	(21,209)
Contribution deficiency (excess)	$	0	0	0	0
Covered payroll	$	689,755	501,360	419,392	402,042
Contributions as a percentage of covered payroll	%	7.03%	7.07%	5.62%	5.28%

TRS 2/3		Fiscal year ending June 30, **2017**	**2016**	**2015**	**2014**
Statutorily or contractually required contributions	$	40,921	27,353	19,264	18,154
Contributions in relation to the statutorily or contractually required contributions	$	(40,921)	(27,353)	(19,264)	(18,154)
Contribution deficiency (excess)	$	0	0	0	0
Covered payroll	$	608,189	417,206	338,920	323,553
Contributions as a percentage of covered payroll	%	6.73%	6.56%	5.68%	5.61%

The notes to the Required Supplementary Information are an integral part of this schedule.

Schedule of Changes in the Total Pension Liability and Related Ratios Olympic College

Fiscal Year Ended June 30, 2017

(expressed in thousands)

		2017
Total Pension Liability		
Service Cost	$	172
Interest		112
Changes of benefit terms		-
Differences between expected and actual experience		(804)
Changes of assumptions		(190)
Benefit Payments		(29)
Other		-
Net Change in Total Pension Liability		**(739)**
Total Pension Liability - Beginning	**$**	**3,756**
Total Pension Liability - Ending	**$**	**3,017**
College's Proportion of the Pension Liability		3.174270%
Covered-employee payroll	$	16,832
Total Pension Liability as a percentage of covered-employee payroll		17.925%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Note 1 - Presentation of Schedules

Accounting standards require the schedules to present information for 10 years. However, until a full 10 year-trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Note 2 - Change of Benefit Terms

There were no changes in the benefit terms for the pension plans reported on the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Employer Contributions.

Note 3 - Change of Assumptions

There were no changes in the assumptions for the pension plans reported on the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Employer Contributions.

Note 4 - State Board Supplemental Defined Benefit Plans

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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