Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Cascadia College

For the period July 1, 2015 through June 30, 2016

Published March 29, 2018
Report No. 1021092

Office of the Washington State Auditor

Pat McCarthy

March 29, 2018

Board of Trustees
Cascadia College
Bothell, Washington

Report on Financial Statements

Please find attached our report on the Cascadia 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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Cascadia College
July 1, 2015 through June 30, 2016

Board of Trustees
Cascadia College
Bothell, 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 Cascadia College, Washington, as of and for the year ended June 30, 2016, 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 29, 2018.

The financial statements of Cascadia College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2016, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of the College's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

March 29, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Cascadia College
July 1, 2015 through June 30, 2016

Board of Trustees
Cascadia College
Bothell, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Cascadia College, Washington, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cascadia College, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of Cascadia College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2016, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 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 29, 2018

FINANCIAL SECTION

Cascadia College
July 1, 2015 through June 30, 2016

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Cascadia College's Share of the Net Pension Liability – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2016
Schedule of Employer Contributions – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2016

Management's Discussion and Analysis

Cascadia College

The following discussion and analysis provides an overview of the financial position and activities of Cascadia College (the College) for the fiscal year ended June 30, 2016 (FY 2016).

This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity

Cascadia College is one of thirty public community and technical college districts in the state of Washington overseen by the State Board for Community and Technical Colleges (SBCTC). The College provides comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 4,900 students annually. The College confers associates degrees, certificates and high school diplomas and began offering a Bachelor's degree in Applied Science in 2016. The College began operations in 2000; its mission is to transform student lives through integrated education in a learning-centered environment.

The College's main campus is located in Bothell, Washington, a community of about 34,000 residents. The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The College's financial statements include the Balance Sheet; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Balance Sheet provides information about the College at a moment in time, at year-end. 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 year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health as a whole.

The Balance Sheet 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.

Balance Sheet
The Balance Sheet provides information about the College's financial position, and presents the College's assets, liabilities, and net position at year-end and includes all assets and liabilities of the College. A condensed comparison of the Balance Sheet is as follows:

Condensed Balance Sheet As of June 30th	**2016**		**2015**	
Assets				
Current assets		13,602,117		10,881,812
Long-term investments		4,969,160		4,976,029
Capital assets, net		99,077,581		101,507,465
Total Assets	$	117,648,858	$	117,365,306
Deferred outflows of resources related to net pension liabilities	$	241,077	$	131,154
Total assets and deferred outflows of resources	**$**	**117,889,935**	**$**	**117,496,460**
Liabilities				
Current liabilities		4,790,061		3,972,225
Other liabilities, non-current		2,608,967		2,341,224
Total Liabilities	**$**	**7,399,028**	**$**	**6,313,449**
Deferred inflows of resources related to net pension liabilities	**$**	**239,955**	**$**	**472,226**
Net position, as restated	**$**	**110,250,952**	**$**	**110,710,785**
Total liabilities, deferred outflows and net position	**$**	**117,889,935**	**$**	**117,496,460**

Current assets consist primarily of cash, investments, and various accounts receivables. Cash increased $2,602,973 which primarily reflects the timing of payments to vendors and the cash received and to be returned in the normal flow of funds between the State Treasurer and the Company.

Net capital assets decreased by $2,429,884 from FY 2015 to FY 2016. The decrease is primarily the result of current depreciation expense of $2,575,391. This decrease was partially offset by the net acquisition of capitalized equipment.

Deferred outflows totaling $241,077 and $131,154 for FY 2016 and FY 2015 respectively are related to the net pension liability that was recorded on the College's financials this year.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, 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

The increase in current liabilities from FY 2015 to FY 2016 of $790,733 is due primarily to an influx of vendor billings that were submitted late in the year-end payment cycle.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the liability for the College's proportionate share of the net pension liability.

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

Net Investment in Capital Assets – The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.

Restricted:

Non expendable – consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only. Donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Cascadia College Foundation, an independent 501c(3) corporation. As a result, the college is not reporting a balance in this category.

Expendable – resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor, financial aid restrictions and/or external parties who have placed time or purpose restrictions on the use of the asset.

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, for replacement of equipment, renewal of facilities, new program development, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

The net position for June 30, 2016 and 2015 is detailed below:

As of June 30th	2016	2015
Investment in capital assets	$ 99,077,582	$ 101,507,465
Restricted		
Expendable	128,996	109,661
Unexpendable	-	-
Non-Restricted	11,044,374	9,093,659
Total net position	$ 110,250,952	$ 110,710,785

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 2016. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid 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 and grants and contracts are included in this category. In contrast, non-operating revenues include monies the college receives from another government entity without directly giving equal value to that government entity 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 fact that the College's operations are subsidized by the State of Washington in order to make higher education accessible to its citizens.

A condensed statement of revenues, expense and changes in net position is presented on the next chart.

Condensed Statement of Revenue, Expenses and Changes in Net Position for the fiscal years ended June 30th	2016	2015
Operating revenues	$ 15,717,410	$ 14,385,029
Operating expenses	(27,308,866)	(26,228,913)
Net operating loss	(11,591,456)	(11,843,884)
Non-operating revenues	10,920,907	9,619,580
Gain (Loss) before revenues from capital appropriations	(670,549)	(2,224,304)
Capital appropriations	210,716	255,534
Increase (decrease) in net position	(459,833)	(1,968,769)
Net position, beginning of the year	$ 110,710,785	$ 112,679,554
Net Position, end of the year	$ 110,250,952	$ 110,710,785

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.

The College's tuition and fee revenue in FY 2016 reflected the stability of enrollment levels and tuition rates being held constant.

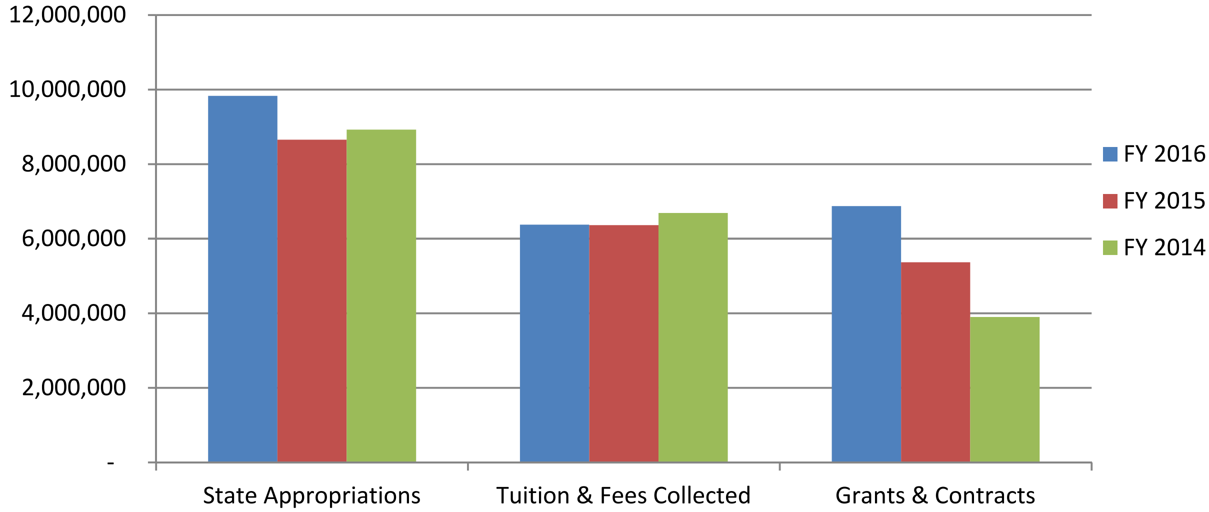
In FY 2016, state and local grant and contract revenues increased by $1,436,298 when compared with FY 2015 due to enrollment increases in the College's contract enrollment programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses; Running Start enrollments increased by 17% in FY 2016. The College also serves contracted international students who are not supported by state funding; International Student enrollments increased by 24% in FY 2016.

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. Expenditures from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenditures 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.

Selected Elements of Revenue

For the Years Ended June 30, 2016, 2015 and 2014

Note: For purposes of this chart, tuition and fees reflect amounts collected and may include amounts students paid with Pell Grant proceeds



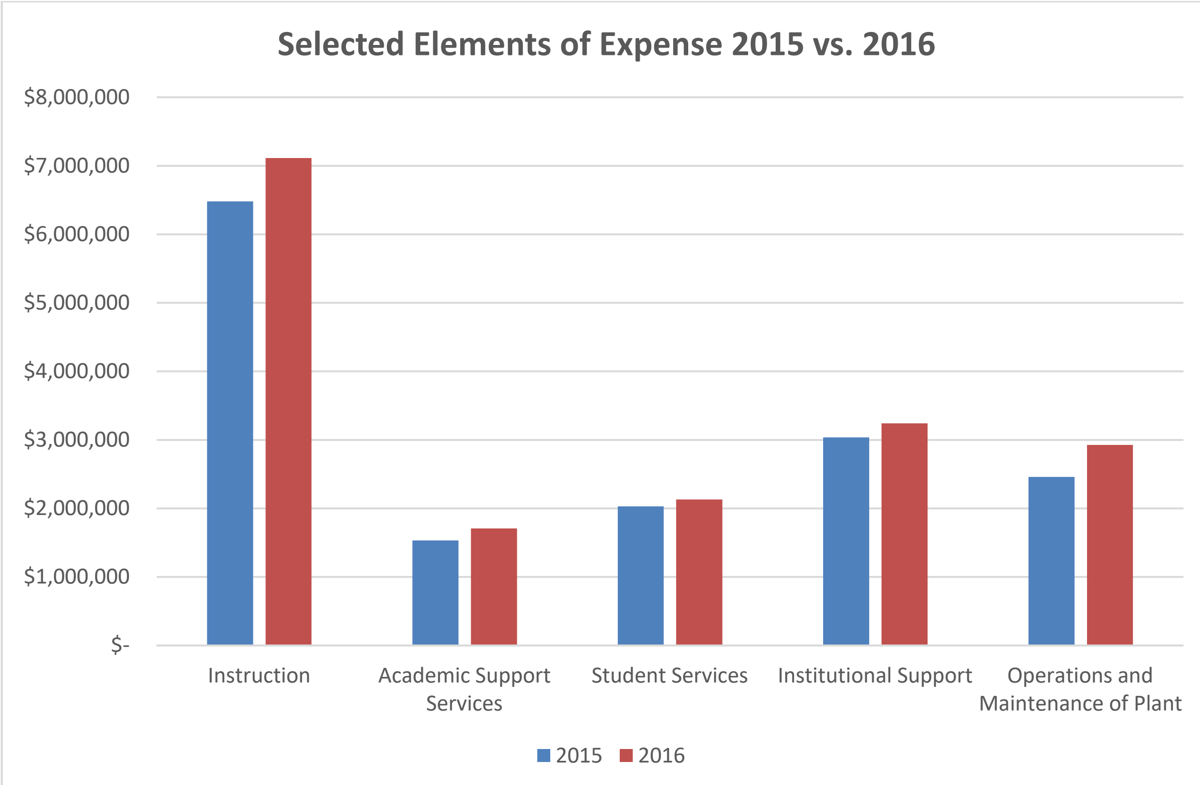
Expenses

Wages and benefits are the largest single expense component at the College, their level is driven by enrollment levels, which directly affect the number of faculty hired by the College; the implementation of collective bargaining agreements and State mandated cost of living adjustments also affect compensation expenses. All of these factors led to the increase in wages and benefits in FY 2016.

Purchased Services primarily consist of library, facilities and public safety services purchased by the College from the University of Washington. The increase in purchased services reflects the increased cost of those services. Depreciation expense is primarily driven by building depreciation since very few of the College's equipment purchases are capitalized.

Comparison of Selected Operating Expenses by Category

The chart on the next page shows the amount, in dollars, for selected categories of operating expenses for FY 2016 and FY 2015.



Statement of Cash Flows

The Statement of Cash Flows gives a general picture of where the College obtains and spends its cash and cash equivalents. The statement gives detailed information about cash flows related to four different types of activities within the institution.

The first section shows cash received and spent on the operations of the college. Since tuition and fees and other operating revenue alone do not normally cover the operating costs of a public higher education institution, this section can be expected to show more cash used than provided.

The second section shows cash received and spent on non-capital financing activities of the College. Here the College reports cash from state appropriations and cash related to federally-funded Pell grants. This section also includes any activity that cannot be reported in one of the other sections.

The third section shows cash received and spent on capital and related financing activities. This includes state capital appropriations for major projects, minor works and repairs. It also includes cash proceeds, loan origination costs, interest and principal payments related to Certificates of Participation. Since colleges periodically use local funds to supplement these sources, it is not unusual for this section to show more cash used than provided.

The fourth section shows cash received and spent on investing activities, including the purchase and sale of investment instruments, interest earnings and realized gains or losses from investments.

Next the statement shows how the current year's change in cash combined with the prior year's cash balance results in the ending cash and cash equivalents balance shown on the College's Balance Sheet. Finally, the statement includes a detailed reconciliation of operating activity only, between the operating loss shown as a subtotal on the Statement of Revenues, Expenses and Changes in Net Position and the net cash used by operating activities shown on the Cash Flow Statement.

The College's cash and cash equivalents at June 30th decreased in 2016 by $2,602,973.

Capital Assets and Long-Term Debt Activities

The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed. However, the College is in line to receive State funding for another academic building, CC4. At this time it is unclear whether the building will be funded for design to begin in the 17-19 biennium or the 19-21 biennium.

At June 30, 2016 the College had invested $101,507,465 in capital assets, net of accumulated depreciation. This represents a decrease from last year due principally to depreciation expense of $2,545,817 offset by net purchases of equipment. The activity by asset type is shown in the table below and is referenced in Note 4 of the Notes to Financial Statements.

Asset Type	June 30, 2016	June 30, 2015	Change
Land	$ 10,538,436	$ 10,538,436	$ -
Project in Progress	-	-	-
Buildings, Net	87,879,588	90,258,281	(2,378,693)
Other Improvements and Infrastructure, net	125,683	171,387	(45,704)
Equipment, net	533,875	539,361	(5,486)
Library Resoruces, net			
Total Capital Assets, Net	**$ 99,077,582**	**$ 101,507,465**	**$ (2,429,883)**

Economic Factors That Will Affect the Future

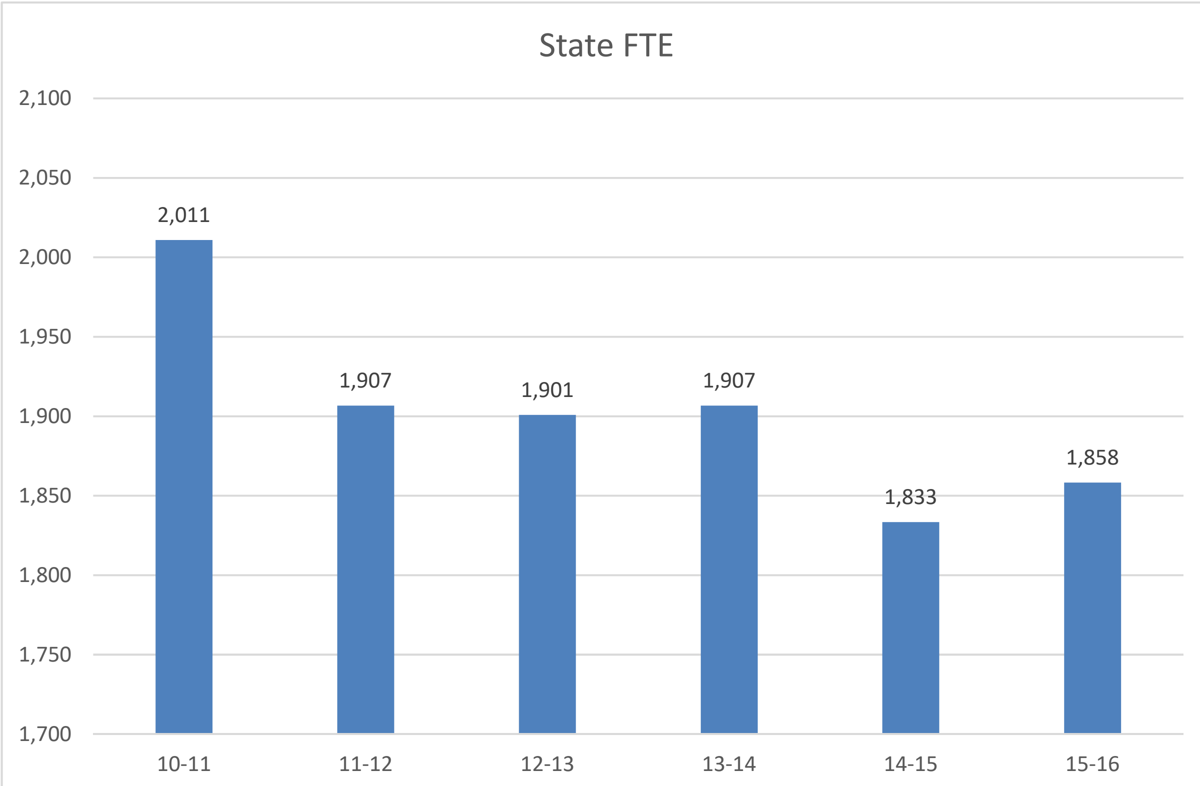
The State's capacity to fund increases in higher education is severely constrained by the Legislature's need to fulfill its court-mandated basic education obligations and the political inability to increase revenue. Additional investments in community and technical colleges by the State over the next few years are accordingly unlikely.

SBCTC is responsible for allocating the funds appropriated by the state Legislature to individual college districts. This allocation is determined by a formula which was recently modified in favor of the College, which expects to receive a greater share of State funding a result of the change.

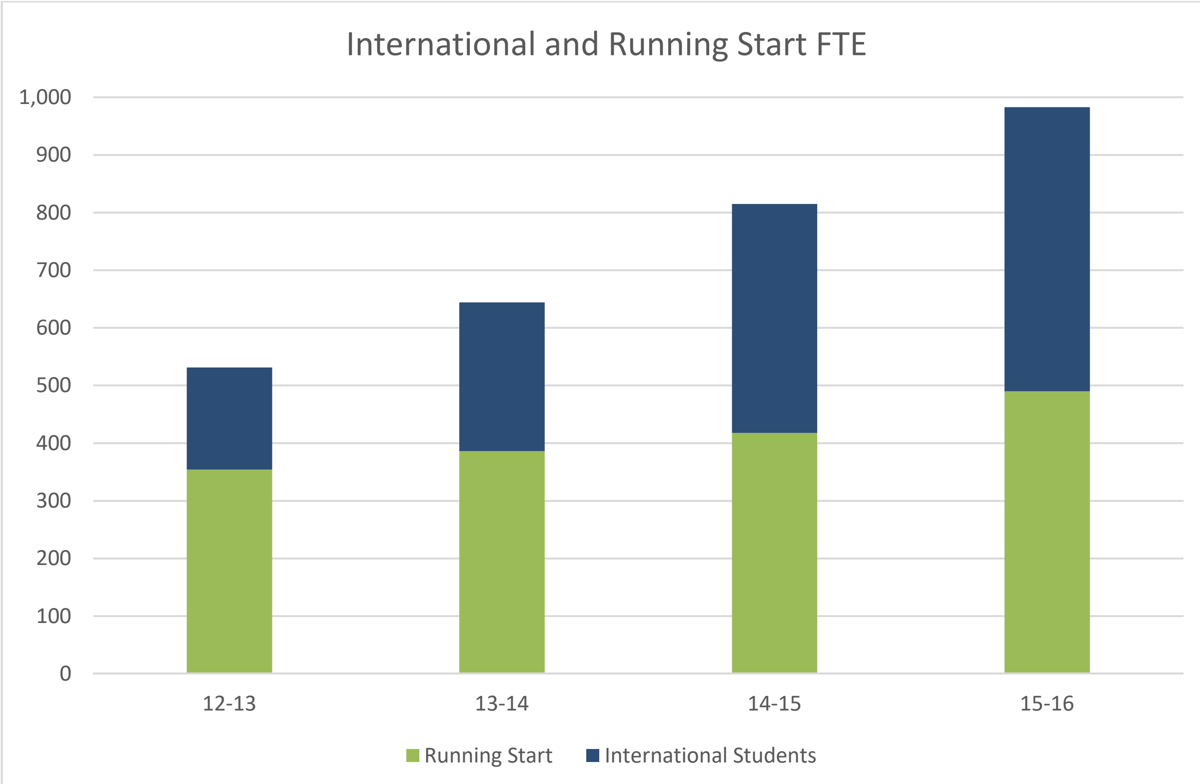
Washington's Economic and Revenue Forecast Council prepares independent forecasts quarterly throughout the year. In its most recent forecast (November 2016), the council observed that slow U.S. and global economic growth, slow growth in labor productivity and uncertainty regarding federal fiscal and trade policy all remain threats to the U.S. and Washington economies.

The College has significant number of international students, they represent a disproportionate share of College's tuition revenue relative to enrollment. Disruptions to relationships with countries that are a source of international students may have a negative impact on international student enrollment and revenue.

A hallmark of community colleges is the flexibility to quickly respond to the needs of the community, resulting in a pattern of high enrollment during economic downturns, punctuated by lower enrollment when the job market is strong. The economy is now at full employment by historical standards and enrollment declines associated with an improving economy have accordingly bottomed out, we accordingly expect State enrollments to stabilize around their current level..



We anticipate small enrollment increases in the Running Start program for a few more years, but the Board of Trustees has decided to stabilize enrollment in the College's International Programs at the 2016 level.



A significant part of the College's expense structure is driven by the University of Washington, Bothell, which provides the College with library, facilities and public safety staff and services. The University has is seeking to ensure the maintenance of a high quality workforce by increasing compensation by 4% per biennium beyond State funded COLA increases. These costs will be passed on to the College, which will receive no additional funding from the State to offset the costs.

The return of the US economy to full employment will result in increases in interest rates and investment returns for the College, however, these increases are expected be gradual and minor.

The SBCTC system is also scheduled to implement a new ERP system (CTCLink), the College anticipates needing to invest approximately $1 million to successfully implement the system.

Cascadia Community College
Balance Sheet
June 30,2016

Assets	
Current Assets	
Cash and cash equivalents (Note 3)	11,018,918
Accounts receivable	2,552,699
Interest receivable	30,299
Prepaid expenses	201
Total current assets	13,602,117
Non-current assets	
Long-term investments	4,969,160
Non-depreciable capital asset (Note 5)	10,538,436
Capital assets, net of depreciation (Note 5)	88,539,146
Total non-current assets	104,046,742
Total assets	**117,648,858**
Deferred outflows of resources	
Deferred outflows related to net pension liability (Note 6)	241,077
Total deferred outflows of resources	241,077
Total assets and deferred outflows of resources	117,889,935
Liabilities	
Current Liabilities	
Accounts payable	1,102,427
Accrued liabilities	2,159,262
Unearned revenue	1,501,269
Current portion of compensated absences	27,103
Total current liabilities	4,790,061
Noncurrent Liabilities	
Compensated absences (Note 10)	1,365,897
Pension liabilty (Note 11)	1,243,070
Total non-current liabilities	2,608,967
Total liabilities	**7,399,028**
Deferred Inflows of Resources	
Deferred inflows related to net pension liability (Note 6)	239,955
Total deferred inflows of resources	239,955
Net Position	
Investment in capital assets	99,077,582
Restricted for:	
Expendable based on financial aid restrictions	128,996
Unrestricted	11,044,374
Total net position	**110,250,952**
Total liabilities, deferred inflow of resources and net position	**117,889,935**

(See accompanying notes to the financial statements)

Cascadia Community College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

Operating Revenues	
Student tuition and fees, net	6,751,892
State and local grants and contracts	8,204,550
Auxiliary enterprise sales	553,294
Federal grants and contracts	46,970
Other operating revenues	160,705
Total operating revenue	15,717,410
Operating Expenses	
Salaries and wages	11,594,479
Benefits	3,745,191
Purchased services	4,199,728
Depreciation	2,575,391
Scholarships and fellowships	1,528,712
Non capitalized equipment	1,294,412
Other operating expenses	1,224,884
Software maintenance and leases	487,033
Utilities and energy costs	441,040
Supplies and materials	217,996
Total operating expenses	27,308,866
Operating loss	(11,591,456)
Non-Operating Revenues (Expenses)	
State appropriations	9,894,866
Federal Pell grant revenue	1,682,829
Investment income, gains and losses	56,331
Building fee remittance	(542,405)
Innovation fund remittance	(170,714)
Net non-operating revenues	10,920,907
Loss before revenues from capital appropriations	(670,549)
Capital appropriations	210,716
Decrease in net position	(459,834)
Net Position	
Net position, beginning of year	110,710,786
Net position, end of year	110,250,952

(See accompanying notes to the financial statements)

Cascadia Community College
Statement of Cash Flows
For the Year Ended June 30, 2016

Cash flow from operating activities	
Student tuition and fees	6,854,996
Grants and contracts	8,310,810
Payments to vendors	(3,635,027)
Payments for utilities	(439,285)
Payments to employees	(11,635,277)
Payments for benefits	(3,916,233)
Auxiliary enterprise sales	595,531
Payments for scholarships and fellowships	(1,528,712)
Payments for software maintenance	(487,033)
Payments for repairs and maintenance	(172,928)
Payments of other operating expenses	(2,503,969)
Other operating revenues	181,517
Net cash used by operating activities	(8,375,611)
Cash flow from noncapital financing activities	
State appropriations	9,722,392
Pell grants	1,682,829
Building fee remittance	(608,810)
Innovation fund remittance	(170,714)
Net cash provided by noncapital financing activities	10,625,697
Cash flow from capital and related financing activities	
Capital appropriations	374,415
Proceeds from sales of fixed assets	13,150
Purchases of capital assets	(91,183)
Net cash used by capital and related financing activities	296,382
Cash flow from investing activities	
Purchase of investments	(1,243,130)
Proceeds from sales and maturities of investments	1,250,000
Income of investments	49,635
Net cash provided by investing activities	56,505
Increase in cash and cash equivalents	2,602,972
Cash and cash equivalents at the beginning of the year	8,415,945
Cash and cash equivalents at the end of the year	11,018,917

Reconciliation of Operating Loss to Net Cash used by Operating Activities

(See accompanying notes to the financial statements)

Operating Loss	(11,591,456)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	2,575,391
Changes in assets and liabilities	
Receivables , net	(102,729)
Other assets	(202)
Accounts payable	657,305
Accrued liabilities	(37,346)
Unearned tuition	170,774
Compensated absences	48,109
Pension liability adjustment expense	(95,457)
Net cash used by operating activities	(8,375,611)

(See accompanying notes to the financial statements)

Notes to the Financial Statements

June 30, 2016
These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Cascadia College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and continuing education. The College confers associates degrees, applied baccalaureate degrees, certificates and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate.

The College is an agency of the State of Washington. The financial activity of the college is included in the State's Comprehensive Annual Financial Report.

The Cascadia College Foundation (the Foundation) a separate but affiliated non-profit entity, incorporated under Washington law in 1999 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to support the College's efforts to enhance student success and strengthen their communities. The Foundation does not contribute significant resources to the College. Therefore their financial statements are not combined with those of the College.

Basis of Presentation

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

Basis of Accounting

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

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

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand and in transit, 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. The College records all cash, cash equivalents, and investments at amortized cost, which approximates fair value. Unrestricted cash operating funds from all departments are combined into an internal investment pool, the income from which is allocated across funds on a proportional basis.

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.

Capital Assets

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

Land, buildings and equipment are recorded at cost, at acquisition value (price to be paid for an asset with equivalent service potential in an orderly market transaction at the acquisition date) for donated capital assets or if acquired by gift, at fair market value at the date of the gift. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized.

Depreciation is computed using the straight line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives range from 15 to 50 years for buildings and improvements, 3 to 50 years for improvements other than buildings, and 3 to 7 years for most equipment.

In accordance with GASB Statement No. 42, the college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2016, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. Unearned revenues may include tuition and fees paid with financial aid funds. The College has recorded summer 2016 quarter tuition and fees as unearned revenues.

Tax Exemption

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

Net Pension Liability

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Net Position

The College's net position is classified as follows.

- *Net Investment in Capital Assets*. This represents the College's total investment in capital assets.
- *Restricted, Expendable*. These represent resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor, financial aid restrictions and/or external parties who have placed time or purpose restrictions on the use of the asset.

- *Unrestricted*. These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

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

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

Operating expenses include salaries, wages, fringe benefits, utilities, material and supplies, repairs and maintenance, travel, and depreciation.

Non-operating Revenues and Expenses:
Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, Federal Pell grant revenues, and investment income.

Non-operating expenses include state remittances related to the building fee and the innovation fee.

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, 2016 are $1,334,608

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

Building and Innovation Fee Remittance

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

2. Accounting and Reporting Changes

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. This Statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value, and requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The College currently invests in the Local Government Investment Pool (LGIP). The LGIP is managed by the Office of the State Treasurer and prepares its own financial report that meets GASB standards. This asset is valued treated as a cash equivalent. The College also has invested in U.S. Government Agency Obligations that are valued at amortized cost which is not appreciably different from market value.

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. The College is currently working with SBCTC to determine the financial impact.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which identifies the hierarchy of generally accepted accounting principles (GAAP). The Statement reduced the GAAP hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The College adheres to this hierarchy of GAAP.

In March 2016, the GASB issued Statement No. 82, *Pension Issues-an Amendment of GASB Statements No. 67, No. 68, and No.73*. This Statement addresses issues regarding the presentation of payroll-related measures in the required supplementary information. The College has implemented this standard early in relation to the RSI presented with its financial statements.

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

The LGIP portfolio is invested in a manner that meets the requirements set forth by tl1e Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that wish to measure all of its investments at amortized costs. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, Washington 98504-0200, or online at: http://www.tre.wa.gov/lgip/cafr/LgipCafr.shtml. In addition, more information is available regarding the LGIP in the Washington State Consolidated Annual Financial report, which can be found online at http://www/ofm/wa/gov/cafr/.

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

As of June 30, 2016, the carrying amount of the College's cash and equivalents was $11,018,918 as represented in the table below.

Table 1: Cash and Cash Equivalents	**June 30, 2016**
Petty Cash	$ 1,900
Bank Demand and Time Deposits	8,976,523
Local Government Investment Pool	2,040,495
Total Cash and Cash Equivalents	**$ 11,018,918**

Investments consist of U.S. Government Agency Obligations.

Investment Maturities	**Fair Value**	**One Year or Less**	**1 - 5 Years**	**6 - 10 Years**	**10 or More Years**
U.S. Agency Obligations	$ 4,969,160		$ 5,015,000		
Total Investments	**$ 4,969,160**	**$ -**	**$ 5,015,000**	**$ -**	**$ -**

Fair Value Measurements – Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards establish a hierarchy for measuring fair value that gives the highest priority to unadjusted quoted prices in active markets (Level 1), next highest to quoted prices for similar assets or liabilities in active markets, or identical assets in inactive markets or other inputs that can be corroborated by observable market data (Level 2) and the lowest priority to unobservable inputs (Level 3). The School has considered Level 1, fair value attributable to quoted prices in active markets as the measurement comparison to amortized value and has drawn the conclusion that there is an immaterial difference between active market prices and the amortized value which more correctly represents the expected income flow from the investments.

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

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

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

Custodial Credit Risk—Investments
Custodial credit risk for investments is the risk that in the event of the failure the College's deposits may not be returned to it. At June 30, 2016, $4,969,160 of the College's operating fund investments are held by US Bank. All cash and equivalents, except for change funds and petty cash held by the College, are insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC).

Investment Expenses
Under implementation of GASB 35, investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2016 were $0.

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

expenditures made according to sponsored agreements. At June 30, 2016, accounts receivable were as follows.

Table 2: Accounts Receivable		June 30, 2016
Student Tuition and Fees	$	372,451
Due from Other State Agencies		1,320,351
Due from Federal Government		957
Other Receivables		1,098,176
Subtotal		2,791,935
Less Allowance for Uncollectible Accounts		(239,236)
Accounts Receivable, net	$	2,552,699

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2016 is presented as follows. The current year depreciation expense was $2,575,391.

Table 3: Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	$ 10,538,436			$ 10,538,436
Total nondepreciable capital assets	10,538,436	-	-	10,538,436
Depreciable capital assets				
Buildings	118,934,679			118,934,679
Other improvements and infrastructure	228,516			228,516
Equipment	1,801,531	145,508	(48,256)	1,898,783
Subtotal depreciable capital assets	120,964,726	145,508	(48,256)	121,061,978
Less accumulated depreciation				
Buildings	28,676,397	2,378,694		31,055,091
Other improvements and infrastructure	57,130	45,703		102,833
Equipment	1,262,170	150,994	(48,256)	1,364,908
Total accumulated depreciation	29,995,697	2,575,391	(48,256)	32,522,832
Total depreciable capital assets	90,969,029	(2,429,883)	-	88,539,146
Capital assets, net of accumulated depreciation	$ 101,507,465	$ (2,429,883)	$ -	$ 99,077,582

6. Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

7. Accounts Payable and Accrued Liabilities

At June 30, 2016, accrued liabilities are the following:

Table 4: Accounts Payable and Accrued Liabilities	June 30, 2016
Accounts Payable	$ 1,102,427
Amounts Owed to Employees	280,729
Due to Other State Agencies	1,840,585
Other Liabilities	37,948
Current portion of compensated absences	27,103
Total Accounts Payable and Accrued Liabilities	**$ 3,288,792**

8. Unearned Revenue

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

Table 5: Unearned Revenue		June 30, 2016
Summer Quarter Tuition and Fees	$	1,501,269
Total Unearned Revenue	**$**	**1,501,269**

9. 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, 2015 through June 30, 2016, were $39,971.

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.

10. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth of the total balance on the payroll records. The accrued vacation leave totaled $483,969, accrued compensated time totaled $0 and accrued sick leave totaled $909,031 at June 30, 2016.

11. Pension Liability

Pension liabilities reported as of June 30, 2016 consists of the following

Pension Liability by Plan		
PERS 1	$	(658,888)
PERS 2/3		(553,252)
TRS 1		(24,078)
TRS 2/3		(6,852)
Total	**$**	**(1,243,070)**

12. Non-current Liabilities
Non-current liabilities include Compensated Absences for sick, vacation and compensated leave as described in Note 10 and the accrued Pension Liability which reflects pension plan obligations at June 30, 2016 which will be funded in future years as reflected in Note 11. Below is the table showing the increases and decreases of these accrued balances for the current fiscal year.

	Beginning Balance	Additions	Reductions	Ending Liability
Compensated Balances	$ 1,344,891	$ 521,061	$ 472,952	$ 1,393,000
Pension Liabilities	996,332	598,440	351,702	1,243,070
Total	$ 2,341,223	$ 1,119,501	$ 824,654	$ 2,636,070

13. Leases Expense
The College also has a lease for office equipment with various vendors. These leases are classified as operating leases. As of June 30, 2016, the minimum lease payments under operating leases consist of the following.

Table 7: Leases Payable	
Fiscal Year	Operating lease
2017	$ 49,357
2018	$ 49,357
2019	$ 45,244

14. Pension 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 defined benefit pension plans administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan (SBRP) is a multiple employer defined contribution plan for the faculty and exempt administrative and professional staff of the state's public community and technical colleges. The plan includes supplemental

payment, when required. The plan is administered by the State Board for Community and Technical Colleges (SBCTC).

For FY 2015-2016, the payroll for the College's employees was $1,513,734 for PERS, $44,065 for TRS and $ 9,066,253 for SBRP. Total covered payroll was $$10,696,719.

Cascadia College implemented Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) for the fiscal year 2015 financial reporting. The College's defined benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education 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.

Basis of Accounting

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for Cascadia College, for fiscal year 2016:

Aggregate Pension Amounts - All Plans

Pension liabilities	$ (1,243,070)
Deferred outflows of resources related to pensions	$ 241,077
Deferred inflows of resources related to pensions	$ (239,955)
Pension expense/expenditures	$ (77,757)

PERS and TRS

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

PERS 3 defined benefit plan benefits are vested after an employee completes five years of eligible service.

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

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

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

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

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2016, 2015, and 2014 are as follows.

Contribution Rates at June 30

	FY 2014		**FY 2015**		**FY 2016**	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	9.21%	6.00%	9.21%	6.00%	11.18%
Plan 2	4.92%	9.21%	4.92%	9.21%	6.12%	11.18%
Plan 3	5 - 15%	9.21%	5 - 15%	9.21%	5 - 15%	11.18%
TRS						
Plan 1	6.00%	10.39%	6.00%	10.39%	6.00%	13.13%
Plan 2	4.69%	10.39%	4.69%	10.39%	5.95%	13.13%
Plan 3	5-15%	10.39%	5-15%	10.39%	5-15%	13.13%

Required Contributions

Required Contributions						
	FY2014		FY2015		FY2016	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	2,205	3,384	1,818	2,790	0	0
Plan 2	45,799	85,653	46,314	86,699	58,295	106,495
Plan 3	32,536	41,023	34,101	41,017	47,753	62,740
TRS						
Plan 1						
Plan 3			4,125	4,123	4,987	5,786

Investments

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

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

For the year ended June 30, 2015, the annual money-weighted rate of return on the pension investments, net of pension plan expenses are as follows:

Pension Plan	Rate of Return
PERS Plan 1	4.45%
PERS Plan 2/3	4.63%
TRS Plan 1	4.41%
TRS Plan 2/3	4.65%

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

The PERS and TRS target asset allocation and long-term expected real rate of return as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%

Global Equity	37%	6.60%
Private Equity	23%	9.60%
Total	**100%**	

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

Pension Expense

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

	Plan				
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	TOTAL
Actuarially determined pension expense	$ 39,269	$ 65,563	$ 1,215	$ 1,947	$ 107,994
FY16 Amortization of change in proportionate liability		(17,585)		1,571	(16,014)
FY15 Amortization of change in proportionate liability	(39,956)		26,347	(613)	(14,222)
Total Pension Expense	$ (687)	$ 47,978	$ 27,562	$ 2,905	$ 77,758

Changes in Proportionate Shares of Pension Liabilities

The changes to the College's proportionate share of pension liabilities from 2014 to 2015 for each retirement plan are listed below:

	2014	**2015**
PERS 1	.013301%	.012596%
PER 2/3	.016142%	.015484%
TRS 1	.000000%	.000760%
TRS 2/3	.000000%	.000812%

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements.

Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability).

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the College calculated using the discount rate of 7.50 percent, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

Pension Plan	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%
PERS Plan 1	$ 802,198	$ 658,888	$ 535,655
PERS Plan 2/3	$ 1,617,738	$ 553,252	$ (261,785)
TRS Plan 1	$ 30,268	$ 24,078	$ 18,755
TRS Plan 2/3	$ 28,990	$ 6,852	$ (9,606)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2016:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience			$ 58,811	
Difference between expected and actual earnings of pension plan investments		$ 36,048		$ 147,692
Changes in actuarial assumptions			891	
Changes in College's proportionate share of pension liabilities				49,568
Deferred outflows - FY16 contributions	75,666		91,637	
Total deferred outflows and inflows per plan	$ 75,666	$ 36,048	$ 151,339	$ 197,260

	TRS 1		**TRS 2/3**	
	Deferred Outflows	**Deferred Inflows**	**Deferred Outflows**	**Deferred Inflows**
Difference between expected and actual experience			$ 1,085	
Difference between expected and actual earnings of pension plan investments		$ 1,782		$ 2,658
Changes in actuarial assumptions			6	
Changes in College's proportionate share of pension liabilities			7,070	2,207
Deferred outflows - FY16 contributions	2,941		2,971	
Total deferred outflows and inflows per plan	$ 2,941	$ 1,782	$ 11,132	$ 4,865

The $173,215 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2017.

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

	PERS 1**	PERS 2/3	TRS 1**	TRS 2/3	Total
2017	(13,971)	(61,675)	(691)	116	(76,222)
2018	(13,971)	(61,675)	(691)	116	(76,222)
2019	(13,971)	(55,996)	(691)	116	(70,543)
2020	5,865	36,362	291	1,866	44,384
2021	-	5,427	-	984	6,411
2022	-	-	-	99	99
Total	$ (36,048)	$ (137,558)	$ (1,782)	$ 3,296	(172,092)

State Board Retirement Plan

Plan Description. Faculty and exempt administrative and professional staff are eligible to participate in SBRP. The Teacher's Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) are the companion organizations through which individual retirement annuities are purchased. Employees have at all times a 100% vested interest in their accumulations.

TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution which participates in TIAA-CREF.

The Plan has a supplemental payment component that guarantees a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The SBCTC makes direct payments on behalf of the College to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a non-reduced supplemental payment after the age of 65 with ten years of full-time service.

The minimum retirement benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% TIAA-CREF contribution after age 49, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

The State Board for Community and Technical Colleges is authorized to amend benefit provisions under RCW 28B.10.400. In 2011, the plan was amended to eliminate the supplemental benefit provisions for all employees hired after June 30, 2011.

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, 2016 were each $749,478.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2016, supplemental benefits were paid by the SBCTC on behalf of the College system in the amount of $766,692. 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 2016, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $45,296. As of June 30, 2016, the Community and Technical College system accounted for $10,439,441 of the fund balance.

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. 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 $5,621,078, with an annual required contribution (ARC) of $559,365. The ARC represents the amortization of the liability for FY 2016 plus the current expense for active employees, which is reduced by the current contributions of approximately $81,349. The College's net OPEB obligation at June 30, 2016 was approximately $1,296,343. This amount is not included in the College's financial statements.

The College paid $1,961,149 for healthcare expenses in 2016, which included its pay-as-you-go portion of the OPEB liability.

16. 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, 2016.

Expenses by Functional Classification		
Instruction	$	10,422,652
Academic Support Services		3,388,714
Student Services		1,985,567
Institutional Support		3,297,459
Operations and Maintenance of Plant		3,174,625
Auxiliary enterprises		897,447
Student Financial Aid		1,444,611
Scholarships and Other Student Financial Ai		84,102
Other expenses		38,299
Depreciation		2,575,391
Total operating expenses	**$**	**27,308,866**

16. Commitments and Contingencies

There is a class action filed against the State of Washington on behalf of certain employees alleging improper denial of healthcare benefits. Although the College has not been named as a defendant in the lawsuit, some of the class members are current or former employees of the College. Potentially, the state could assess the College with a material share of any amount paid in the event of a settlement or judgment. Due to the status of the lawsuit, the impact upon the College cannot be assessed with reasonable certainty at present.

Additionally, the College is may be 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.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans
Schedules of Cascadia College's Proportionate Share of the Net Pension Liability

Schedule of Cascadia College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.013301%	$ 670,044	$ 1,413,250	47.41%	61.19%
2015	0.012596%	$ 658,888	$ 1,414,377	46.59%	59.10%
2016	0.012696%	$ 681,835	$ 1,515,129	45.00%	57.03%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Cascadia College’s Proportionate Share of the Net Pension Liability

Schedule of Cascadia College's Share of the Net Pension Liability Public Employees’ Retirement System (PERS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College’s proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College’s proportionate share of the net pension liability as a percentage of its covered payroll	Plan’s fiduciary net position as a percentage of the total pension liability
2014	0.016142%	$ 326,288	$ 1,376,496	23.70%	93.29%
2015	0.015484%	$ 553,252	$ 1,384,905	39.95%	89.20%
2016	0.016267%	$ 819,031	$ 1,515,129	54.06%	85.82%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Cascadia College's Proportionate Share of the Net Pension Liability

Schedule of Cascadia College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.000000%	$ -	$ -	0.00%	68.77%
2015	0.000760%	$ 24,078	$ 39,680	60.68%	65.70%
2016	0.000931%	$ 31,787	$ 44,065	72.14%	62.07%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Cascadia College's Proportionate Share of the Net Pension Liability

Schedule of Cascadia College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.000000%	$ -	$ -	0.00%	96.81%
2015	0.000812%	$ 6,852	$ 39,679	17.27%	92.48%
2016	0.000940%	$ 12,909	$ 44,065	29.30%	88.72%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 58,878	$ 58,878	$ -	$ 1,413,250	4.17%
2015	$ 57,894	$ 57,894	$ -	$ 1,414,377	4.09%
2016	$ 71,999	$ 71,999	$ -	$ 1,515,129	4.75%
2017					#DIV/0!
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 68,189	$ 68,189	$ -	$ 1,376,496	4.95%
2015	$ 68,972	$ 68,972	$ -	$ 1,384,905	4.98%
2016	$ 93,909	$ 93,909	$ -	$ 1,515,129	6.20%
2017			$ -		#DIV/0!
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ -	$ -	$ -	$ -	0.00%
2015	$ 1,701	$ 1,701	$ -	$ 39,680	4.29%
2016	$ 2,830	$ 2,830	$ -	$ 44,065	6.42%
2017			$ -		#DIV/0!
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ -	$ -	$ -	$ -	0.00%
2015	$ 2,158	$ 2,158	$ -	$ 39,680	5.44%
2016	$ 3,069	$ 3,069	$ -	$ 44,065	6.97%
2017			$ -		#DIV/0!
2018					
2019					
2020					
2021					
2022					
2023					

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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Toll-free Citizen Hotline	(866) 902-3900
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