Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Cascadia College

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

Published March 29, 2018

Report No. 1021093

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

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

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, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 29, 2018. As discussed in Note 2 to the financial statements, during the year ended June 30, 2017, the College implemented Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

The financial statements of 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, 2017, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

March 29, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Cascadia College
July 1, 2016 through June 30, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Matters of Emphasis

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

As discussed in Note 1, the financial statements of 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, 2017, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated 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, 2016 through June 30, 2017

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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, 2017 (FY 2017).

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

Reporting Entity

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 3,400 students. 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.

During 2017, the College adopted GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 as amended by GASB Statement No. 71. It establishes financial reporting requirements for defined benefit pensions that are provided to employees of state and local governmental employers and that are not administered through trusts or equivalent arrangements and therefore outside the scope of Statement 68. The College is required to record its proportionate share of net pension liabilities, deferred inflows, pension expense and benefit payments. The change in accounting principle resulted in an additional amount of $2,006,704 in pension liability and net position.

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	**2017**	**2016**
Assets		
Current assets	12,648,720	13,602,117
Long-term investments	6,226,150	4,969,160
Capital assets, net	97,743,075	99,077,581
Total assets	**$ 116,617,945**	**$ 117,648,858**
Deferred outflows related to net pension liability	**$ 379,883**	**$ 241,077**
Total assets and deferred outflows	**$ 116,997,828**	**$ 117,889,935**
Liabilities		
Current liabilities	7,048,209	4,762,958
Other liabilities, non-current	4,573,627	4,642,774
Total liabilities	**$ 11,621,836**	**$ 9,405,732**
Deferred inflows related to net pension liabiliity	**$ 522,364**	**$ 239,955**
Net position	**$ 104,853,628**	**$ 108,244,248**
Total liabilities, deferred outflows and net position	**$ 116,997,828**	**$ 117,889,935**

Current assets consist primarily of cash, investments, and various accounts receivables. Cash decreased by approximately $1,000,000 which can be seen mostly in the increase in long-term investments.

Net capital assets decreased by $1,334,506 from FY 2016 to FY 2017. The decrease resulting from impact of current depreciation expense of $2,597,124 is offset by mainly by the construction costs of a permanent parking lot at the cost of $1,256,002.

Deferred outflows of resources and deferred inflows of resources represent pension-related deferrals associated with the implementation of GASB Statement No. 68 in FY 2015 and Statement No. 73 in FY 2017.

The increase/decrease in deferred outflows reflect the College's proportionate share of an increase/decrease in the state-wide amounts reported by the DRS due to differences between expected and actual experience related to the actuarial assumptions. The College recorded $379,883 in FY 2017 and $271,077 in FY2016 of pension-related deferred outflows. The increase reflects the change in difference between expected and actual earnings of the pension plan investments.

Similarly, the increase/decrease in deferred inflows in 2017 reflects the increase/decrease in difference between actual and projected investment earnings on the state's pension plans and also the implementation of GASB Statement No. 73 (GASB 73). The College recorded $522,364 in FY 2017 and $239,955 in FY2016 of pension-related deferred inflows. The increase in FY 2017 is primarily the net effect of the increase of $461,177 due to GASB 73 offset by the reduction due to the difference between expected and actual earnings of the pension plan investments.

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 2016 to FY 2017 of $2.2MM 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. This amount is significantly higher due to the pension liabilities due to implementation of GASB 73 reflecting the College's proportionate share of pension liability for the State Board Supplemental Retirement Plan of $1.6MM.

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 three categories:

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

As stated earlier the net position on December 2016 was reduced by amount of $2,006,704 due to the implementation of GASB 73.

The net position for June 30, 2017 and 2016 is detailed below:

As of June 30th	2017	2016
Investment in capital assets	$ 97,743,075	$ 99,077,582
Restricted		
Expendable	190,605	128,996
Non-restricted - before GASB 73 adjustment	6,919,948	11,044,374
GASB 73 implementation adjustment		(2,006,704)
Corrected unrestricted		9,037,670
Total net position	$ 104,853,628	$ 108,244,248

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position accounts for the College's changes in total net position during FY 2017. The objective of the statement is to present the revenues 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 for the years ending June 30, 2016 and 2017is presented on the next page.

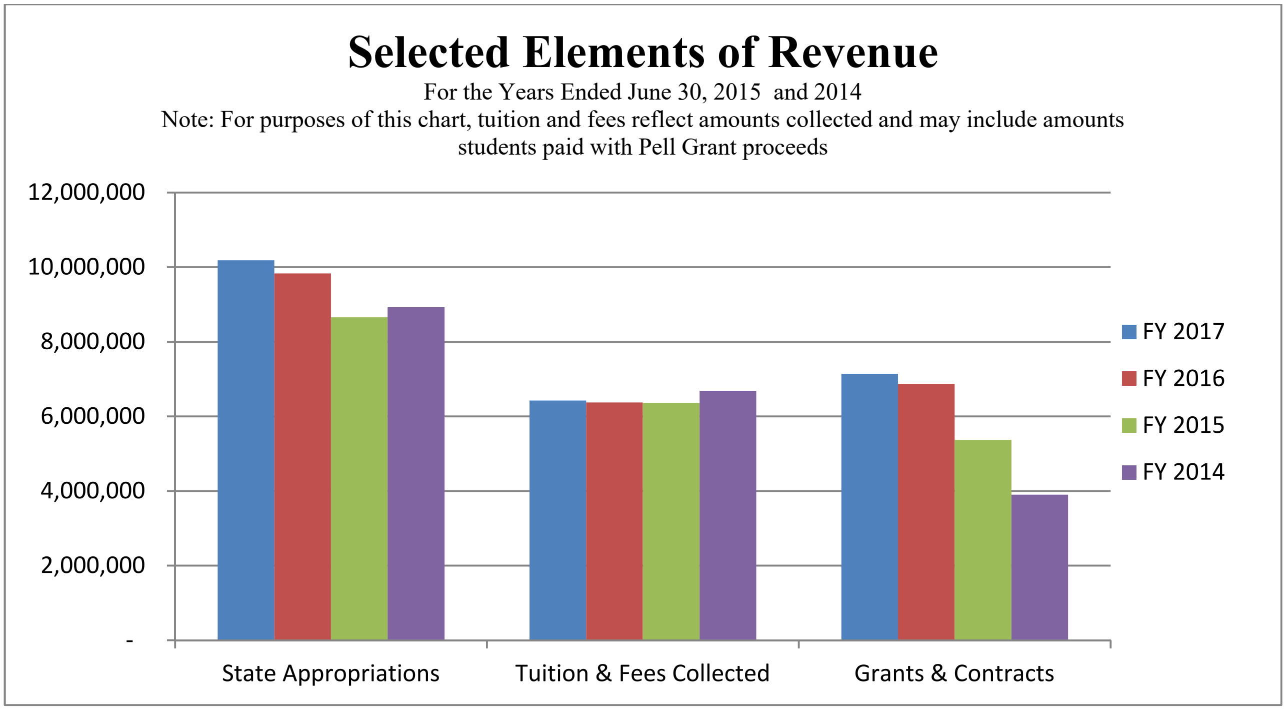
Condensed Statement of Revenue, Expenses and Changes in Net Position for the fiscal years ended June 30th	2017	2016
Operating revenues	$ 16,257,123	$ 15,717,410
Operating expenses	(31,118,209)	(27,308,866)
Net operating loss	(14,861,086)	(11,591,456)
Non-operating revenues	11,076,769	10,920,907
Gain (Loss) before revenue from capital appropriations	(3,784,317)	(670,549)
Capital appropriations	393,697	210,716
Decrease in net position	(3,390,620)	(459,833)
Net position, beginning of the year	$ 108,244,248	$ 110,710,785
Change in net position due to GASB 73		$ (2,006,704)
Net position, end of the year	$ 104,853,628	$ 108,244,247.89

<u>Revenues</u>
The State of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. Since Washington State's recovery from the "Great Recession" the State is once again providing COLA funding, this was the primary driver of increases in the State's allocation.

The stability of the College's tuition and fee revenue in FY 2017 is attributable to a slight decline in the number of students paying tuition being offset by a 2% increase in tuition.

In FY 2017, state and local grant and contract revenues increased by $273,986 when compared with FY 2016 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 11% in FY 2017. The College also serves contracted international students who are not supported by state funding; International Student enrollments decreased by 2% in FY 2017.

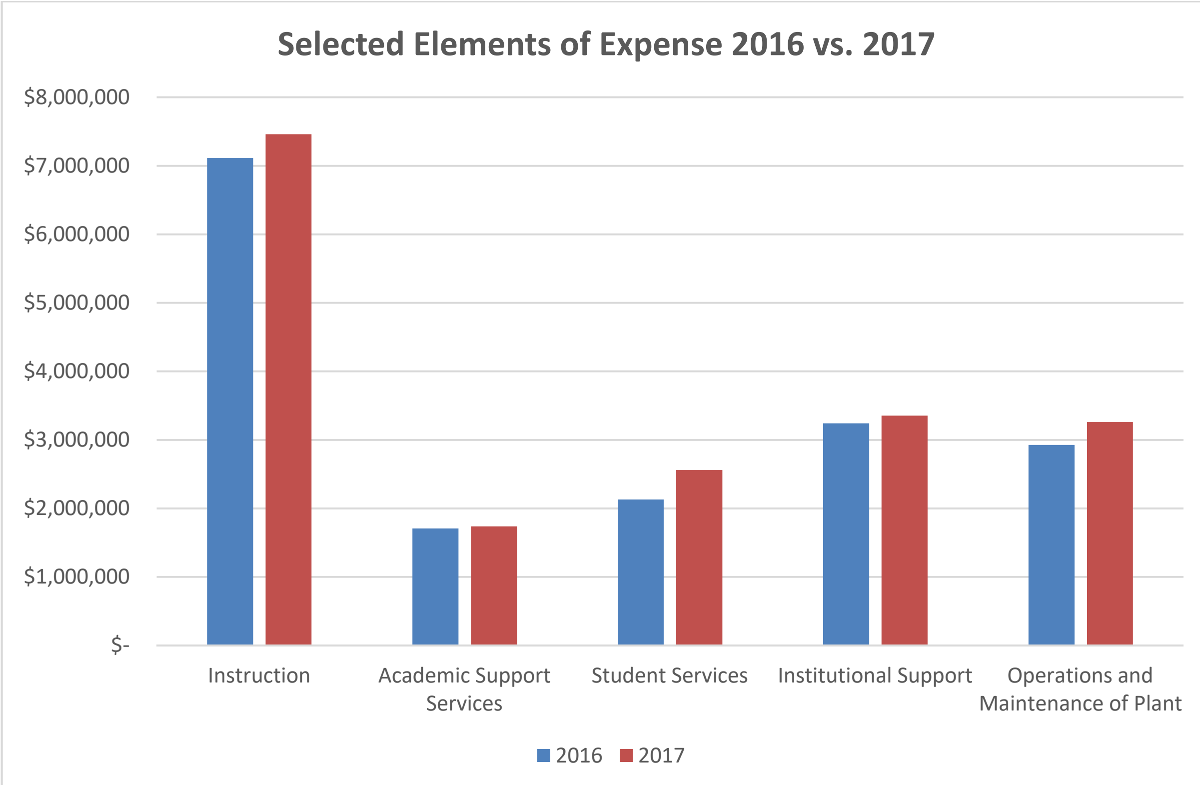
The College receives capital spending authority on a biennial basis and may carry unexpended amounts forward into one or two future biennia, depending on the original purpose of the funding. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement 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.



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 2017.

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 2017 and FY 2016.



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 Statement of Net Position. 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 2017 by $1,479,700.

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 appears that the building will be funded for design to begin in the 19-21 biennium.

At June 30, 2017 the College had invested $97,743,075 in capital assets, net of accumulated depreciation. This represents a decrease from last year due principally to depreciation expense of $2,597,124 offset by net purchases of equipment of $1,262,618. 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, 2017	June 30, 2016	Change
Land	$ 10,538,436	$ 10,538,436	$ -
Buildings, Net	85,500,894	87,879,588	(2,378,694)
Other improvements and infrastructure, net	1,310,862	125,683	1,185,179
Equipment, net	392,883	533,875	(140,992)
Total capital assets, net	**$ 97,743,075**	**$ 99,077,582**	**$ (1,334,507)**

Economic Factors That Will Affect the Future

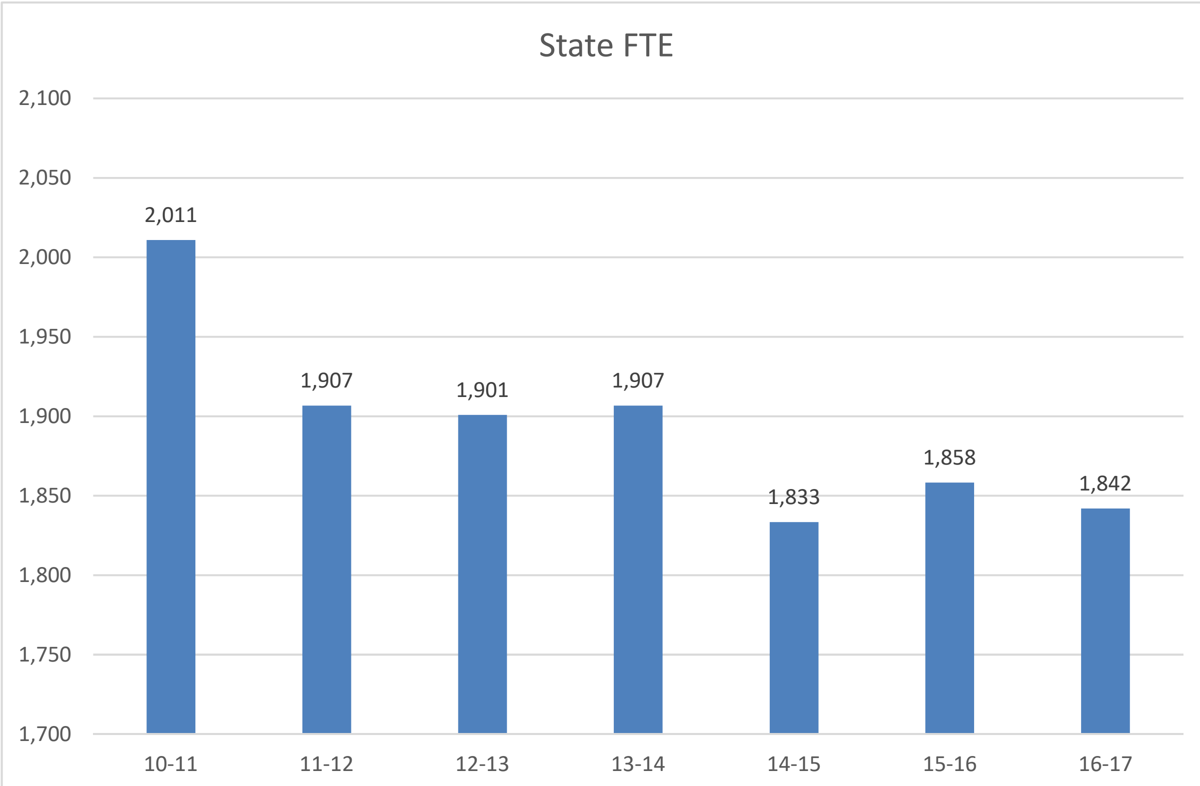
The State's capacity to fund increases in higher education is severely constrained by the Legislature's need to fulfill its court-mandated basic education obligations and the political inability to increase revenue. Additional investments in community and technical colleges by the State over the next 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 the future funding will be allocated based on the average number of "State" students enrolled at a college during the preceding 3 years. The College therefore expects its State allocation to increase until 2019. If the College's "State student" enrollment continues its downward trend the College will receive less money from the State following 2019. .

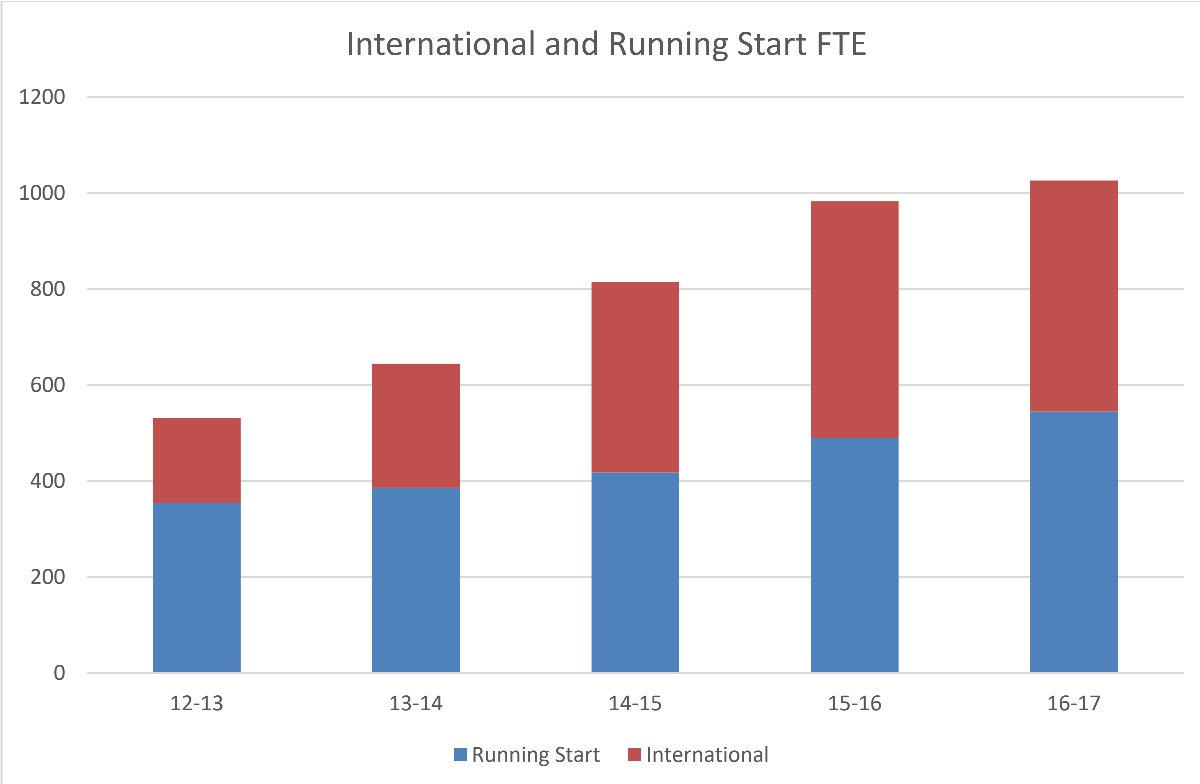
Washington's Economic and Revenue Forecast Council prepares independent forecasts quarterly throughout the year. In its most recent forecast (November 2017), the council projected steady growth at the 2% level for the foreseeable future.

The College has significant number of international students, they represent a disproportionate share of College's tuition revenue relative to enrollment. Recent indications are that the US will be assuming a more skeptical stance towards globalization, this is likely to 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. The number of students graduating from the College's feeder high schools has also bottomed out and the college anticipates State student enrollment to gradually increase in the future, providing that the College's building capacity increases.



The College's Running Start and International Programs have driven the College's recent enrollment and revenue growth. While small enrollment increases in the Running Start program may continue for a few more years, by design the College's International Programs enrollment stabilize at the 2016 level and may decline somewhat due to changes in the overall international student market in the US.



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 been scaling up its operations and is seeking to ensure the maintenance of a high quality workforce by increasing compensation beyond State funded COLA increase levels. These costs are being passed on to the College, which will receive no additional funding from the State to offset the costs.

The SBCTC system is also scheduled to implement a new ERP system (CTCLink), the College has created a reserve of approximately $1 million to implement the system, however, SBCTC, which is managing the project is changing the implementation plan and this may cause the College's implementation costs to rise.

Cascadia Community College
Balance Sheet
June 30,2017

Assets	
Current assets	
Cash and cash equivalents (Note 3)	9,539,218
Accounts receivable (Note 4)	3,046,129
Interest receivable	63,318
Prepaid expenses	55
Total current assets	12,648,720
Non-Current assets	
Long-term investments (Note 3)	6,226,150
Non-depreciable capital asset (Note 5)	10,538,436
Capital assets, net of depreciation (Note 5)	87,204,639
Total non-current assets	103,969,225
Total assets	**116,617,945**
Deferred outflows of resources	
Deferred outflows related to net pension liability (Note 6)	379,883
Total deferred outflows of resources	379,883
Total assets and deferred outflows of resources	116,997,828
Liabilities	
Current Liabilities	
Accounts payable	3,903,608
Accrued liabilities	1,681,322
Unearned revenue	1,419,760
Current portion of compensated absences	43,520
Total current liabilities	7,048,209
Noncurrent Liabilities	
Compensated absences (Note 10)	1,414,822
Pension liabilty (Note 11)	3,157,375
Total non-current liabilities	4,572,197
Total liabilities	**11,620,406**
Deferred inflows of resources	
Deferred inflows related to net pension liability (Note 6)	522,364
Total deferred inflows of resources	522,364
Net Position	
Investment in capital assets	97,743,075
Restricted for:	
Expendable based on financial aid restrictions	190,605
Unrestricted	6,919,948
Total net position	**104,853,628**
Total liabilities, deferred inflow and net position	**116,996,399**

(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, 2017

Operating Revenues	
Student tuition and fees, net	7,145,907
Auxiliary enterprise sales	420,284
State and local grants and contracts	8,478,174
Federal grants and contracts	38,149
Other operating revenues	174,610
Total operating revenue	16,257,123
Operating Expenses	
Salaries and wages	12,345,869
Benefits	4,250,042
Purchased services	5,245,985
Depreciation	2,597,124
Scholarships and fellowships	1,423,857
Non capitalized equipment	1,502,218
Other operating expenses	1,513,923
Repairs and maintenance	1,245,794
Software maintenance and leases	305,649
Utilities	492,553
Supplies and materials	195,195
Total operating expenses	31,118,209
Net Operating loss	(14,861,086)
Non-Operating Revenues (Expenses)	
State appropriations	10,254,854
Federal Pell grant revenue	1,536,047
Investment income, gains and losses	78,426
Building fee remittance	(620,437)
Innovation fund remittance	(172,120)
Total net non-operating revenues	**11,076,769**
Loss before revenues from capital appropriations	(3,784,317)
Capital appropriations	393,697
Decrease in net position	(3,390,620)
Net Position	
Net position, beginning of year	110,250,952
Adjustment for GASB 73 initial reserve impact	(2,006,704)
Adjusted net position, beginning of year	108,244,248
Net position, end of year	104,853,628

(See accompanying notes to the financial statements)

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

Cash flow from operating activities	
Student tuition and fees	7,113,858
Grants and contracts	8,202,050
Payments to suppliers	(2,681,961)
Payments for utilities and energy	(335,951)
Payments to employees	(12,252,350)
Payments for benefits	(4,201,280)
Auxiliary enterprise sales	348,880
Payments for scholarships and fellowships	(1,423,857)
Other operating revenues	174,610
Payments for repairs and maintenance	(1,245,794)
Payments for non-depreciable assets	(1,502,218)
Other payments	(2,037,085)
Net cash used by operating activities	(9,841,098)
Cash flow from noncapital financing activities	
State appropriations	9,833,673
Pell grants	1,536,047
Building fee remittance	(559,992)
Innovation fund remittance	(172,120)
Net cash provided by noncapital financing activities	10,637,607
Cash flow from capital and related financing activities	
Capital appropriations	197,991
Purchases of capital assets	(1,262,617)
Net cash used by capital and related financing activities	(1,064,626)
Cash flow from investing activities	
Purchase of investments	(5,006,990)
Proceeds from sales and maturities of investments	3,750,000
Income of investments	45,407
Net cash used in investing activities	(1,211,584)
Decrease in cash and cash equivalents	(1,479,700)
Cash and cash equivalents at the beginning of the year	11,018,918
Cash and cash equivalents at the end of the year	9,539,218
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(14,861,086)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	2,597,124
Changes in assets and liabilities	
Receivables , net	(553,876)
Other assets	146
Accounts payable	2,801,181
Accrued liabilities	138,946
Unearned tuition	(81,509)
Compensated absences	66,772
Pension liability adjustment expense	51,204
Net cash used by operating activities	(9,841,098)

(See accompanying notes to the financial statements)

Notes to the Financial Statements

June 30, 2017

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

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, 2017, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. Unearned revenues may include tuition and fees paid with financial aid funds. The College has recorded summer 2017 quarter tuition and fees as unearned revenues.

Tax Exemption

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

Net Pension Liability

For purposes of measuring the net pension liability in accordance with GASB Statement No. 68 (GASB 68), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In FY17, the College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB Statement No. 73 (GASB 73) *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 (Accounting and Financial Reporting for Pensions).* The reporting requirements are similar to GASB 68 but use current fiscal yearend as the measurement date for reporting the pension liabilities.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Net Position

The College's net position is classified as follows.

- *Net Investment in Capital Assets*. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

- *Restricted, 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 includes 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 remittance 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, 2017 are $1,203,412.

State Appropriations
The state of Washington appropriates funds to the College on both an annual and biennial basis. These revenues are reported as non-operating revenues on the Statements of Revenues,

Expenses, and Changes in Net Position, and recognized as such when the related expenses are incurred.

Building and Innovation Fee Remittance
Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The 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 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* (GASB 73). This Statement is intended to improve financial reporting of governments whose employees are provided with pensions that are not within the scope of Statement No. 68, improve the usefulness of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions not within the scope of Statement No. 68, and to clarify the application of certain provisions of Statements No. 67 and 68. In addition, it establishes requirements for defined contribution plans that are not within the scope of Statement 68. GASB 73 is effective for fiscal years beginning after June 15, 2016. The College has implemented this pronouncement during the 2017 fiscal year. The College recorded a beginning balance adjustment to long-term obligations and unrestricted fund balances of $2,006,704 as a result of the implementation of GASB 73.

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, 2017, the carrying amount of the College's cash and equivalents was $9,539,218 as represented in the table below.

Table 1: Cash and Cash Equivalents	**June 30, 2017**
Petty cash	$ 1,900
Bank demand and time deposits	7,483,913
Local Government Investment Pool	2,053,405
Total Cash and Cash Equivalents	**$ 9,539,218**

Investments consist of U.S. Government Agency Obligations. U.S. Government Agency Obligations are valued at amortized cost which is not appreciably different from market value.

Investment Maturities	**Fair Value**	**One Year or Less**	**1 - 5 Years**	**6 - 10 Years**	**10 or More Years**
U.S. agency obligations	$ 6,226,150		$ 6,280,000		
Total Investments	**$ 6,226,150**	**$ -**	**$ 6,280,000**	**$ -**	**$ -**

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, 2017, $6,226,150 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, 2017 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, 2017, accounts receivable were as follows.

Table 2: Accounts receivable	**June 30, 2017**
Student tuition and fees	$ 534,586
Due from other state agencies	1,552,512
Due from federal government	957
Other receivables	1,247,918
Subtotal	3,335,973
Less allowance for uncollectible accounts	(289,844)
Accounts receivable, net	$ 3,046,129

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2017 is presented as follows. The current year depreciation expense was $2,597,124.

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	1,256,002		1,484,518
Equipment	1,898,783	6,615		1,905,398
Subtotal depreciable capital assets	121,061,978	1,262,617	-	122,324,595
Less accumulated depreciation				
Buildings	31,055,091	2,378,693		33,433,784
Other improvements and infrastructure	102,833	70,823		173,656
Equipment	1,364,908	147,608		1,512,516
Total accumulated depreciation	32,522,832	2,597,124	-	35,119,956
Total depreciable capital assets	88,539,146	(1,334,507)	-	87,204,639
Capital assets, net of accumulated depreciation	$ 99,077,582	$ (1,334,507)	$ -	$ 97,743,075

6. Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

7. Accounts Payable and Accrued Liabilities
At June 30, 2017, accrued liabilities are the following:

Table 4: Accounts payable and accrued liabilities	**June 30, 2017**
Accounts payable	$ 3,903,608
Amounts owed to employees	305,035
Due to other state agencies	1,343,432
Current portion of compensated absenses	43,520
Other liabilities	32,855
Total Accounts Payable and Accrued Liabilities	**$ 5,628,449**

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, 2017**
Summer quarter tuition and fees	$ 1,419,760
Total Unearned Revenue	**$ 1,419,760**

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, 2017, were $47,703.

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 $481,868, accrued compensated time totaled $1,430 and accrued sick leave totaled $976,474 at June 30, 2017.

Accrued annual and sick leave are categorized as non-current liabilities. Compensatory time is categorized as a current liability since it must be used before other leave.

11. Pension Liability

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

Pension Liability by Plan		
PERS 1	$	(681,835)
PERS 2/3		(819,031)
TRS 1		(31,787)
TRS 2/3		(12,908)
SBRP		(1,611,814)
Total	**$**	**(3,157,375)**

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 shown in Note 11. Below is the table showing the increases and decreases of these accrued balances for the current fiscal year.

Table 6: Noncurrent Liabilities	Beginning Balance	Additions	Reductions	Ending Liability
Compensated Balances	$ 1,393,000	$ 626,323	$ 560,981	$ 1,458,342
Pension Liabilities	3,249,774	645,692	738,091	3,157,375
Total	$ 4,642,774	$ 1,272,015	$ 1,299,072	$ 4,615,717

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, 2017, the minimum lease payments under operating leases consist of the following.

Table 7: Leases Payable	
Fiscal Year	Operating lease
2018	$ 49,582
2019	$ 45,450

14. Retirement Plans

A. <u>General</u>

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

For FY 2016-2017, the payroll for the College's employees was $1,438,256 for PERS, $116,731 for TRS and $ 9,799,143 for SBRP. Total covered payroll was $$11,354,130.

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 2017:

Aggregate Pension Amounts - All Plans

Pension liabilities	$ (3,157,375)
Deferred outflows of resources related to pensions	$ 379,883
Deferred inflows of resources related to pensions	$ (522,364)
Pension expense/expenditures	$ (226,135)

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

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

PERS and TRS

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

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

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

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

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

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

Contribution Rates at June 30

	FY 2015		**FY 2016**		**FY 2017**	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	9.21%	6.00%	11.18%	6.00%	11.18%
Plan 2	4.92%	9.21%	6.12%	11.18%	6.12%	11.18%
Plan 3	5 - 15%	9.21%	5 - 15%	11.18%	5 - 15%	11.18%
TRS						
Plan 1	6.00%	10.39%	6.00%	13.13%	6.00%	13.13%
Plan 2	4.69%	10.39%	5.95%	13.13%	5.95%	13.13%
Plan 3	5-15%	10.39%	5-15%	13.13%	5-15%	13.13%

Required Contributions

	FY2015		FY2016		FY2017	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	1,818	2,790	0	0	0	0
Plan 2	46,314	86,699	58,295	106,495	61,834	112,958
Plan 3	34,101	47,753	47,753	62,740	30,698	47,680
TRS						
Plan 1	0	0	0	0	0	0
Plan 3	4,125	4,123	4,987	5,786	14,767	15,583

Investments

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

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

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

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

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

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

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

Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
Total	**100%**	

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

Pension Expense

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

	Plan					
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	SBRP	TOTAL
Actuarially determined pension expense	$ 39,880	$ 111,732	$ 2,041	$ 3,520		$ 157,173
Reversal of Deferred Inflows projected vs actual Income					$ (15,296)	$ (15,296)
FY16 Amortization of change in proportionate liability		(17,585)		(613)	81,582	$ 63,384
FY17 Amortization of change in proportionate liability	5,517	7,721	5,819	1,817		$ 20,874
Total Pension Expense	$ 45,397	$ 101,868	$ 7,860	$ 4,724	$ 66,286	$ 226,135

Changes in Proportionate Shares of Pension Liabilities

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

	2015	**2016**
PERS 1	.012596%	.012696%
PER 2/3	.015484%	.016267%
TRS 1	.000760%	.000931%
TRS 2/3	.000812%	.000940%

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 with the results rolled forward to the June 30, 2015 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Economic Inflation 3.00%

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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	$ 822,224	$ 681,031	$ 561,021
PERS Plan 2/3	$ 1,507,983	$ 819,031	$ (426,353)
TRS Plan 1	$ 39,075	$ 31,787	$ 25,508
TRS Plan 2/3	$ 29,215	$ 12,909	$ (14,996)

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

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2017:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience			$ 43,613	$ 27,038
Difference between expected and actual earnings of pension plan investments	$ 17,168	$ -	100,226	
Changes in actuarial assumptions			8,465	
Changes in College's proportionate share of pension liabilities			24,706	31,982
Deferred outflows - FY16 contributions	68,988		90,605	
Total deferred outflows and inflows per plan	$ 86,156	$ -	$ 267,615	$ 59,020

	TRS 1		**TRS 2/3**	
	Deferred Outflows	**Deferred Inflows**	**Deferred Outflows**	**Deferred Inflows**
Difference between expected and actual experience			977	573
Difference between expected and actual earnings of pension plan investments	$ 1,008	$ -	$ 2,078	$ -
Changes in actuarial assumptions			131	
Changes in College's proportionate share of pension liabilities			6,580	1,594
Deferred outflows - FY16 contributions	7,414		7,924	
Total deferred outflows and inflows per plan	$ 8,422	$ -	$ 17,690	$ 2,167

The $174,931 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, 2018.

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

	PERS 1**	PERS 2/3	TRS 1**	TRS 2/3	Total
2018	(4,227)	(9,299)	(261)	1,166	(12,621)
2019	(4,227)	(3,620)	(261)	1,166	(6,942)
2020	15,767	81,864	943	3,153	101,726
2021	9,855	49,045	586	2,058	61,544
2022	-	-	-	58	58
Total	$ 17,168	$ 117,990	$ 1,008	$ 7,600	143,765

<u>C. College Participation in Plan Administered by the State Board for Community and Technical Colleges S</u>tate Board Retirement Plan (SBRP) – Supplemental Defined Benefits Plans

<u>Plan Description</u>.

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

<u>Contributions</u>. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2017 were $805,801 and $811,801 respectively.

<u>Benefits Provided</u>. The State Board Supplemental Retirement Plans provide retirement, disability, and death benefits to eligible members.

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

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

Plan members have the option to retire early with reduced benefits.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2017, supplemental benefits were paid by the SBCTC on behalf of the College in the amount of

$902,000. The College's share of this amount was $15,296. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2017, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $48,988. This amount was not used as a part of GASB73 calculations its status as an asset has not been determined by the Legislature. As of June 30, 2017, the Community and Technical College system accounted for $13,280,149.81 of the fund balance.

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

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

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

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

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

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

Pension Expense
For the year ended June 30, 2017, Cascadia College reported $81,583 for pension expense in the Higher Education Supplemental Retirement Plans.

Proportionate Shares of Pension Liabilities
The College's proportionate share of pension liabilities for fiscal year ending June 30, 2017 was 1.69575%. The College's proportion of the net pension liability was based on a projection of the

College’s long-term share of contributions to the pension plan to the projected contributions of all participating College’s, actuarially determined.

Plan Membership
Membership of the State Board Supplemental Retirement Plans consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Plan	Inactive Members (or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
Cascadia College	2	0	94	96

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

Change in total Pension Liability/(Asset)		
Total Pension Liability	Amount	
Service cost	$ 91,859	
Interest	59,589	
Changes of benefit terms	0	
Differences between expected and actual experience	(429,636)	
Changes of assumptions	(101,406)	
Benefit payments	(15,296)	
Other	-	
Net Change in total liability	(394,890)	
Total Pension Liability - Beginning	2,006,704	
total Pension Liability - Ending (a)	$ 1,611,814	

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

Pension Liability/(Asset)	1% Decrease	Current Discount Rate	1% Increase
Cascadia College	$ 1,851,746	$ 1,611,814	$ 1,413,105

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

Cascadia College	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 373,117
Change in assumptions		88,060
Transactions subsequent to the measurement date		-
Total	$ -	$ 461,177

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

	Cascadia College
2018	(69,882)
2019	(69,882)
2020	(69,882)
2021	(69,882)
2022	(111,258)
Thereafter	(390,786)

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

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

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

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

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

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

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

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

Washington State Deferred Compensation Program
The College, through the state of Washington, offers its employees a deferred compensation plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their salary until future years. The state of Washington administers the plan on behalf of the College's employees. The deferred compensation is not available to employees until termination, retirement or unforeseeable financial emergency. The College does not have access to the funds.

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 $6,994,363, with an annual required contribution (ARC) of $630,206. The ARC represents the amortization of the liability for FY 2017 plus the current expense for active employees, which is reduced by the current contributions of approximately $135,218. The College's net OPEB obligation at June 30, 2017 was approximately $1,843,584. This amount is not included in the College's financial statements.

The College paid $2,166,653 for healthcare expenses in 2017, 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, 2017.

Expenses by Functional Classification	
Instruction	$ 11,172,475
Academic support services	3,471,590
Student services	2,709,538
Institutional support	4,644,261
Operations and maintenance of plant	4,691,180
Auxiliary enterprises	617,522
Student financial aid	1,086,490
Scholarships and other student financial aid	100,307
Other expenses	27,722
Depreciation	2,597,124
Total operating expenses	**$ 31,118,209**

17. 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	0.011323%	$ 537,275	$ 1,434,545	37.45%	61.24%
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	0.014568%	$ 506,183	$ 1,434,545	35.29%	90.97%
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	0.002124%	$ 64,227	$ 119,328	53.82%	65.58%
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	0.002176%	$ 20,086	$ 119,328	16.83%	93.14%
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	$ 68,109	$ 68,109	$ -	$ 1,434,545	4.75%
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	$ 88,982	$ 88,982	$ -	$ 1,434,545	6.20%
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	$ 7,434	$ 7,434	$ -	$ 119,328	6.23%
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 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	$ 8,019	$ 8,019	$ -	$ 119,328	6.72%
2018					
2019					
2020					
2021					
2022					
2023					

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

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Total Pension Liability and Related Ratios Cascadia College Fiscal Year Ended June 30 *(expressed in thousands)*	2017
Total Pension Liability	
Service Cost	$ 91,859
Interest	59,589
Changes of benefit terms	-
Differences between expected and actual experience	(429,636)
Changes of assumptions	(101,406)
Benefit Payments	(15,296)
Other	-
Net Change in Total Pension Liability	**(394,890)**
Total Pension Liability - Beginning	**2,006,704**
Total Pension Liability - Ending	**$ 1,611,814**
College's Proportion of the Pension Liability	0.016958%
Covered-employee payroll	$ 9,799,143
Total Pension Liability as a percentage of covered-employee payroll	0.164485159

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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