Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Columbia Basin College

For the period July 1, 2017 through June 30, 2018

Published March 7, 2019

Report No. 1023406

Office of the Washington State Auditor
Pat McCarthy

March 7, 2019

Board of Trustees
Columbia Basin College
Pasco, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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Columbia Basin College
July 1, 2017 through June 30, 2018

Board of Trustees
Columbia Basin College
Pasco, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Columbia Basin College, as of and for the year ended June 30, 2018, 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 1, 2019. As discussed in Note 17 to the financial statements, during the year ended June 30, 2018, the College implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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

The financial statements of the Columbia Basin College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2018, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

March 1, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Columbia Basin College
July 1, 2017 through June 30, 2018

Board of Trustees
Columbia Basin College
Pasco, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Columbia Basin College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Columbia Basin College Foundation were not audited in accordance with Government Auditing Standards.

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Columbia Basin College, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 17 to the financial statements, in 2018, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the Columbia Basin College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2018, 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 1, 2019 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 1, 2019

FINANCIAL SECTION

Columbia Basin College
July 1, 2017 through June 30, 2018

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Management's Discussion and Analysis

Columbia Basin College

The following discussion and analysis provides an overview of the financial position and activities of Columbia Basin College (the College) for the fiscal year ended June 30, 2018 (FY 2018). 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

The College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 11,235 students. The College confers baccalaureate degrees, associates degrees, certificates and high school diplomas. The College was established in 1955 and its primary purpose is to be an engine for social mobility through higher education, the foundation for which is an open access policy that seeks to eliminate barriers to matriculation, retention, and graduation of residents.

The College's main campus is located in Pasco, Washington, a community of about 73,000 residents. The College also has operations in Richland, WA. The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state Senate. In accordance with Washington State law governing technical colleges, the College's board includes one member from business and one member from labor. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit. The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2018. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net position are reported under the accrual basis of accounting where all of the current year's revenues and expenses are taken into account regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental

Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

During 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB).* This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one year lag measurement date similar to GASB Statement No. 68. The change in accounting principle resulted in an adjustment to beginning net position in the amount of *$22,605,351*.

Statement of Net Position

The Statement of Net Position provides information about the College's financial position and presents the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College as of the end of the fiscal year. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30th				
		2018		2017
Assets				
Current Assets	$	19,850,862	$	26,905,573
Capital Assets, net	$	116,725,379	$	107,730,793
Other Assets, non-current	$	10,111,604	$	9,971,335
Total Assets	$	146,687,845	$	144,607,701
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	$	1,362,913	$	1,594,014
Deferred Outflows Related to OPEB	$	329,546	$	-
Total Deferred Outflows	$	1,692,458	$	1,594,014
Liabilities				
Current Liabilities	$	10,144,121	$	7,609,494
Other Liabilities, non-current	$	37,305,962	$	21,563,193
Total Liabilities	$	47,450,083	$	29,172,687
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	$	1,891,596	$	912,584
Deferred Inflows Related to OPEB	$	3,426,464		
Total Deferred Inflows	$	5,318,060	$	912,584
Net Position				
Net Investment in Capital Assets	$	106,153,949	$	95,742,945
Restricted	$	621,049	$	642,559
Unrestricted	$	(11,162,838)	$	19,730,940
Total Net Position, as restated	$	95,612,160	$	116,116,444

Current assets consist primarily of cash, investments, various accounts receivables and inventories.

The current assets decreased approximately by $8.5 million due to decrease in cash and cash equivalents, resulting from the purchase of long-term investments and the expenses for various capital projects

Net capital assets increased by $8.9 million from FY 2017 to FY 2018. The significant increase is the result of acquiring Sunhawk Hall in 2017.

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

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated with the implementation of GASB Statement No. 68 in FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018. The decrease in deferred outflows and the increase in deferred inflows reflect the College's proportionated share of an increase in the state-wide amounts reported by the DRS due to differences between expected and actual experience related to the actuarial assumptions. The College recorded $1,594,014 in FY 2017 and $1,692,458 in FY2018 of pension and postemployment-related deferred outflows.

Similarly, the increase in deferred inflows in 2018 reflects the increase in difference between actual and projected investment earnings on the state's pension plans and also the implementation of GASB Statement No. 75.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others and unearned revenue. Current liabilities from FY 2017 to FY 2018 increased by $2.6 million approximately. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation debt and Pension Liabilities. The College's non-current liabilities increased due to the implementation of GASB Statement 75, reflecting the College's proportionate share of the postemployment benefit liability for state's OPEB.

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

> ***Net Investment in Capital Assets –*** the College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets. Changes in these balances are discussed below.
>
> ***Restricted:***
>
> > ***Nonexpendable –*** consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for expenses but for investment purposes only. Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Foundation. As a result, the college is not reporting any balance in this category.
> >
> > ***Expendable –*** resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary expendable funds for the College are student loans and financial aid.
>
> ***Unrestricted –*** Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

As stated earlier in this section, the College's net position was adjusted by $22,605,351 due to the implementation of GASB 75.

Net Position As of June 30th	**FY 2018**	**FY 2017**
Net investment in capital assets	106,153,949	$95,742,945
Restricted		
Expendable (description)	621,049	$642,559
Unrestricted	(11,162,838)	$19,730,940
Total Net Position	**95,612,160**	**$116,116,444**

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 2018. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains and losses of the College.

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

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

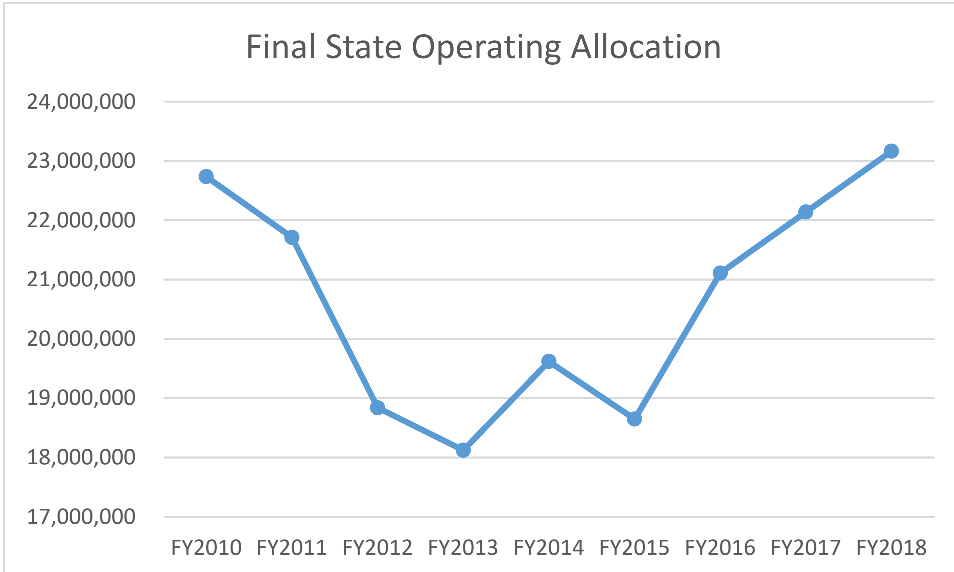
A condensed comparison of the College's revenues, expense and changes in net position for the years ended June 30, 2018 and 2017 is presented below.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Student tuition and fees, net	$ 12,117,596	11,454,644
Auxiliary enterprise sales	2,687,112	2,137,212
State and local grants and contracts	15,581,761	16,522,174
Federal grants and contracts	2,379,282	3,623,203
Other operating revenues	1,027,294	856,294
Total operating revenues	**33,793,045**	**34,593,527**
Operating Expenses		
Salaries and wages	26,787,239	26,937,180
Benefits	10,364,592	9,147,576
Scholarships, net of discounts	7,252,756	7,326,503
Depreciation	3,861,779	2,512,467
Other operating expenses	13,487,183	15,071,936
Total operating expenses	**61,753,549**	**60,995,662**
Operating Income (Loss)	**(27,960,504)**	**(26,402,135)**
Non-Operating Revenues (Expenses)		
State appropriations	22,944,251	22,138,957
Federal Pell grant revenue	8,935,252	8,119,887
Investment income, gains and losses	25,489	34,421
Other non-operating revenues (expenses)	(2,593,831)	(2,370,776)
Net non-operating revenues (expenses)	**29,311,161**	**27,922,490**
Income or (loss) before capital contributions	**1,350,659**	**1,520,355**
Capital appropriations and contributions	**750,409**	**3,585,466**
Change in Net position	**2,101,068**	**5,105,821**
Net Position		
Net position, beginning of year	116,116,444	114,516,076
Cumulative effect of change in accounting principle	(22,605,351)	(3,505,453)
Net position, beginning of year, as restated	93,511,093	111,010,623
Net position, end of year	**95,612,161**	**116,116,444**

Revenues

The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the 34 college's based on 3 year average FTE actuals. Additionally, the Supplemental Budget also reduces the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation will continue in FY2019.

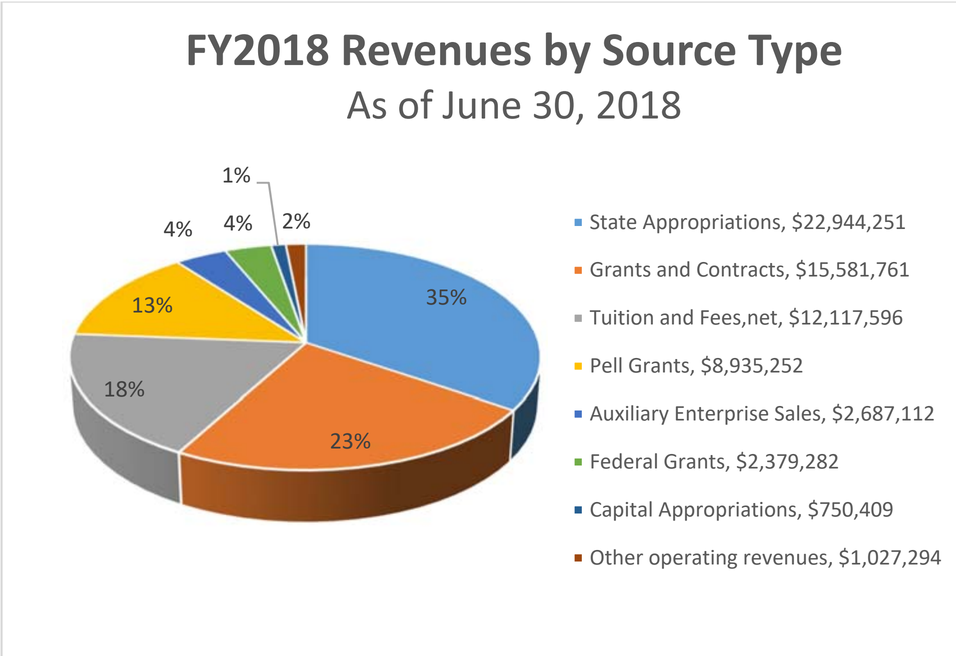


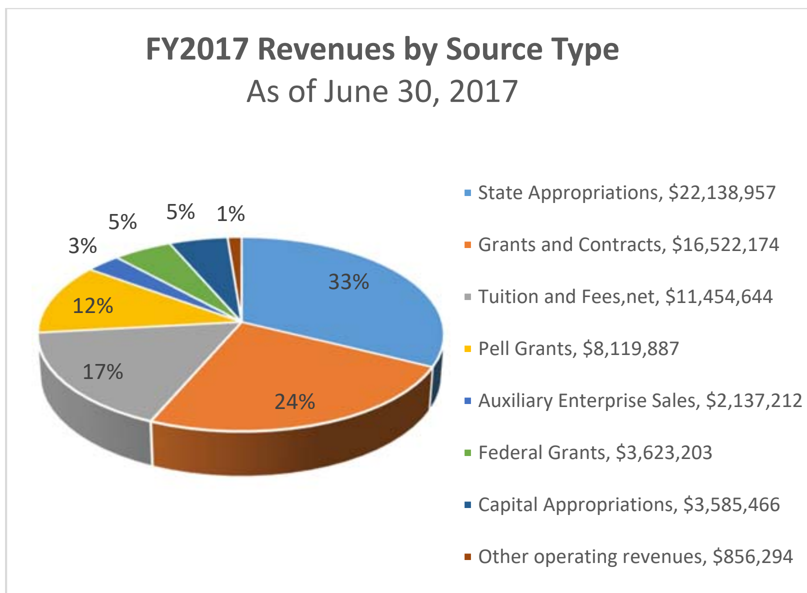
The College's increase in tuition and fee revenue at ($12,17,596 in FY 2018 and $11,454,644 in FY2017) is primarily attributable to the increase of about 2.2% tuition rate in FY2018.

Pell grant revenues generally follow enrollment trends. As the College's enrollment increase slightly during FY 2018, so did the College's Pell Grant revenue ($8,935,252 in FY 2018 and $8,119,887 in FY2017).

In FY 2018, grant and contract revenues decreased by $2,184,334 when compared with FY 2017 ($17,961,043 in FY 2018 and $20,145,377 in FY 2017). The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses.

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



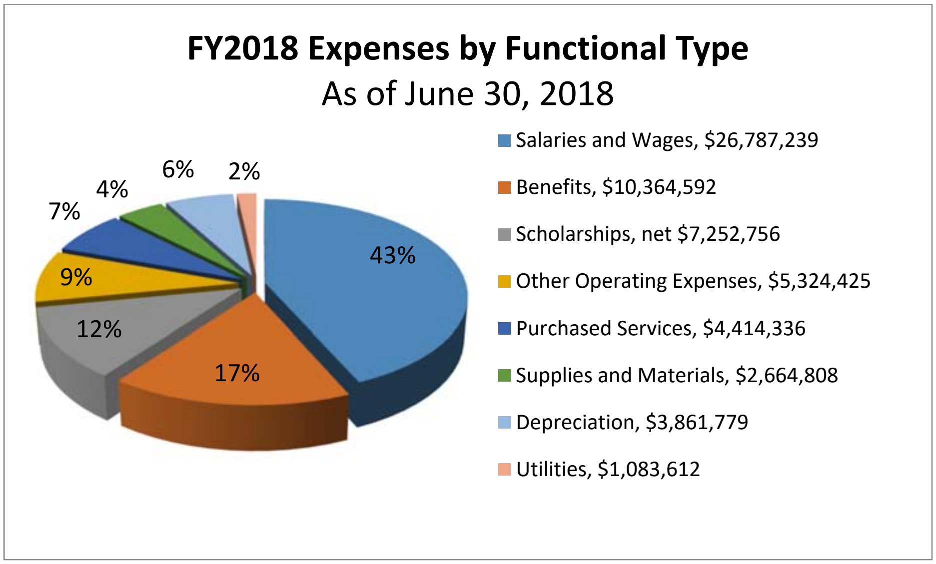


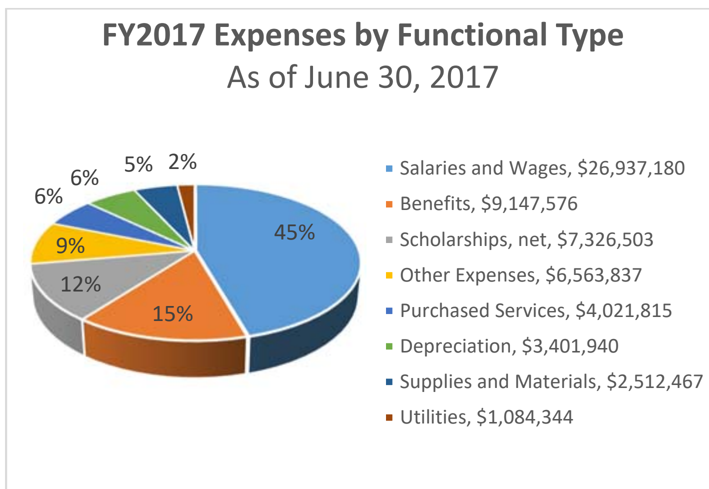
Expenses

In FY 2018, overall increase in operating expenses is due to increases in salary and benefit costs for classified, exempt, and faculty, increases to compete in the job market in order to replace retiring exempt employees, and a 2.0 % cost of living adjustment. Also the increase in Scholarships, Other Expenses, and Purchased is primarily due to the increase in the enrollment. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and they are instead recognized as supplies and materials or purchased services costs. These fluctuations are to be expected. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service.

Comparison of Selected Operating Expenses by Function

The chart below shows the amount, in dollars, for selected functional areas of operating expenses for FY 2018 and FY 2017.





Capital Assets and Long-Term Debt Activities

At June 30, 2018, the College had invested $116,725,379 in capital assets, net of accumulated depreciation. This represents an increase of $8,913,578 from last year, as shown in the table below.

Asset Type	June 30, 2018	June 30, 2017	Change
Land	1,580,788	1,173,788	407,000
Contruction in Progress	-	18,541,575	(18,541,575)
Building, net	111,732,987	84,313,354	27,419,633
Other Imrovement, net	576,721	651,231	(74,510)
Equipment, net	2,728,599	3,028,954	(300,355)
Library Resources, net	106,284	102,899	3,385
Total Capital Assets, net	**116,725,379**	**107,811,801**	**8,913,578**

The increase in net capital assets can be attributed to acquisition of Sunhawk Residence Hall in FY 2018. Additional information on capital assets can be found in Note 6 of the Notes to the Financial Statements.

At June 30, 2018, the College had $10,571,429 in outstanding debt. This represents a decrease of $ 1,462,276 from last year, as shown in the table below.

	June 30, 2018	June 20, 2017	Change
Certificates of Participation	3,891,841	5,092,520	(1,200,679)
Capital Leases	6,679,588	6,941,185	(261,597)
Total	**$ 10,571,429**	**$ 12,033,705**	**$ (1,462,276)**

Additional information of notes payable, long term debt and debt service schedules can be found in Notes 12 and 13 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

In FY 2017, the State Board for Community and Technical College's has elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Due to increase in enrollment, it is estimated that the College will likely see an increase in state operating appropriations in future year. In addition, the increase in the reimbursement rate of Running Start and in the tuition rate in FY2018 will contribute to the growth in the College's revenue.

Columbia Basin College

Statement of Net Position, June 30, 2018

Assets	
Current assets	
Cash and cash equivalents	$ 11,251,234
Restricted cash	$ 926,866
Short-term investments	5,781,779
Accounts receivable	1,483,359
Interest receivable	9,333
Inventories	381,131
Prepaid expenses	17,160
Total current assets	19,850,862
Non-Current Assets	
Long-term investments	10,111,604
Non-depreciable capital assets	1,580,788
Capital assets, net of depreciation	115,144,591
Total non-current assets	126,836,982
Total assets	**146,687,844**
Deferred Outflows of Resources	
Deferred outflows related to pensions	1,362,913
Deferred outflows related to OPEB	329,546
Total deferred outflows of resources	1,692,458
Liabilities	
Current Liabilities	
Accounts payable	649,330
Accrued liabilities	2,711,442
Compensated absences, short term	1,188,629
Deposits payable	238,071
Unearned revenue	1,867,001
Leases and certificates of participation payable	1,400,151
Net pension liability	-
Total pension liability	45,389
OPEB liability	2,044,107
Total current liabilities	10,144,120
Non-Current Liabilities	
Compensated absences	1,961,512
Long-term liabilities	9,171,278
Net pension liability	4,961,033
Total pension liability	2,432,705
OPEB liability	18,779,434
Total non-current liabilities	37,305,963
Total liabilities	**47,450,084**
Deferred Inflows of Resources	
Deferred inflows related to pensions	1,891,596
Deferred inflows related to OPEB	3,426,464
Total deferred inflows of resources	5,318,060
Net Position	
Net Investment in Capital Assets	106,153,949
Restricted for:	
Expendable	621,049
Unrestricted (deficit)	(11,162,838)
Total Net Position	**$ 95,612,160**

The footnote disclosures are an integral part of the financial statements.

Columbia Basin College

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2018

Operating Revenues		
	Student tuition and fees, net	12,117,596
	Auxiliary enterprise sales	2,687,112
	State and local grants and contracts	15,581,761
	Federal grants and contracts	2,379,282
	Other operating revenues	1,027,294
	Total operating revenue	**33,793,045**
Operating Expenses		
	Salaries and wages	26,787,239
	Benefits	10,364,592
	Scholarships and fellowships	7,252,756
	Other operating expenses	5,324,425
	Purchased services	4,414,336
	Supplies and materials	2,664,809
	Depreciation	3,861,779
	Utilities	1,083,612
	Total operating expenses	**61,753,549**
	Operating income (loss)	**(27,960,504)**
Non-Operating Revenues (Expenses)		
	State appropriations	22,944,251
	Federal Pell grant revenue	8,935,252
	Investment income, gains and losses	25,489
	Building fee remittance	(1,661,493)
	Innovation fund remittance	(442,414)
	Interest on indebtedness	(489,924)
	Net non-operating revenue (expenses)	**29,311,161**
	Income or (loss) before other revenues, expenses, gains, or losses	**1,350,658**
Capital Contributions		
	Capital appropriations	750,409
	Increase (Decrease) in net position	2,101,067
Net Position		
	Net position, beginning of year	116,116,444
	Cummulative effect of change in GASB 75	(22,605,351)
	Net position, beginning of year, as restated	93,511,093
	Net position, end of year	**95,612,160**

The footnote disclosures are an integral part of the financial statements.

Columbia Basin College

Statement of Cash Flows

For the Year Ended June 30, 2018

Cash flows from operating activities	
Student tuition and fees	$ 12,376,715
Grants and contracts	18,675,290
Payments to vendors	(6,210,499)
Payments for utilities	(1,677,336)
Payments to employees	(26,429,889)
Payments for benefits	(9,219,171)
Auxiliary enterprise sales	2,716,901
Payments for scholarships and fellowships	(7,252,756)
Other receipts (payments)	(2,444,931)
Net cash used by operating activities	(19,465,676)
Cash flows from noncapital financing activities	
State appropriations	22,081,097
Pell grants	8,935,252
Building fee remittance	(1,557,478)
Innovation fund remittance	(442,173)
Net cash provided by noncapital financing activities	29,016,697
Cash flows from capital and related financing activities	
Proceeds of capital debt	(4,435)
Capital appropriations	728,627
Purchases of capital assets	(13,061,560)
Principal paid on capital debt	(1,205,679)
Interest paid	(489,924)
Net cash used by capital and related financing activities	(14,032,971)
Cash flows from investing activities	
Purchase of investments	(3,942,048)
Income of investments	25,489
Net cash provided by investing activities	(3,916,560)
Increase in cash and cash equivalents	(8,398,509)
Cash and cash equivalents at the beginning of the year	20,576,609
Cash and cash equivalents at the end of the year	12,178,100

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss		(27,960,504)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense		3,861,779
Changes in assets and liabilities		
Receivables, net		2,858,739
Inventories		(408)
Other assets		2,679
Accounts payable		275,283
Accrued liabilities		338,584
Deferred revenue		2,650
Compensated absences		91,852
Pension liability adjustment		1,145,960
Deposits payable		(8,712)
Net cash used by operating activities	$	(19,465,676)

The footnote disclosures are an integral part of the financial statements.

Columbia Basin College Foundation

Statement of Financial Position

June 30, 2018 and 2017

ASSETS	FY2018	FY2017
Cash and cash equivalents	**$ 1,624,416**	$ 2,225,894
Investments	**306,923**	293,283
Restricted cash and cash equivalents	**1,221,287**	817,767
Restricted investments	**1,169,018**	488,153
Investments and cash equivalents restricted for endowments	**17,004,794**	16,979,033
Cash held in charitable remainder trust	**216,641**	180,434
Real estate held in charitable remainder trust	**630,000**	630,000
Residence held subject to life interest	**357,210**	315,700
Advances to Columbia Basin College	**8,395,921**	5,873,384
Promises to give	**24,200**	174,085
Promise to give from Kadlec Medical Center	**1,470,518**	1,941,424
Prepaid expenses	**1,304**	1,298
Equipment and furniture, net of accumulated depreciation of $8,775 and $8,166, respectively	**3,412**	4,021
Land	**117,262**	117,262
Collections and artwork	**48,875**	48,875
Total assets	**$ 32,591,781**	$ 30,090,613

LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	**$ 16,808**	$ 219,319
Notes payable	**8,395,899**	1,764,056
Construction loan payable	**-**	4,109,328
Annuity payable from charitable remainder trust	**280,627**	313,834
Use interest of beneficiary	**53,678**	27,595
Total liabilities	**8,747,012**	6,434,132
Net assets		
Unrestricted	**2,088,718**	2,493,734
Temporarily restricted	**13,672,899**	13,149,497
Permanently restricted	**8,083,152**	8,013,250
Total net assets	**23,844,769**	23,656,481
Total liabilities and net assets	**$ 32,591,781**	$ 30,090,613

Columbia Basin College Foundation

Statement of Activities and Changes in Net Assets

June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contributions	$ 392,900	$ 693,208	$ 95,985	**$ 1,182,093**
Investment income	364,182	518,935	-	**883,117**
Gain on investments, net	12,148	855,223	-	**867,371**
Support from Columbia Basin College	330,723	-	-	**330,723**
Special events (including contributions of $115,795)	-	139,765	-	**139,765**
Other	71,358	-	-	**71,358**
Actuarial adjustment of split interest agreements	-	69,414	(26,083)	**43,331**
Total revenue and support	1,171,311	2,276,545	69,902	**3,517,758**
Net assets released from restrictions	1,753,143	(1,753,143)	-	**-**
Expenses				
Program services	2,734,029	-	-	**2,734,029**
Management and general	284,190	-	-	**284,190**
Fundraising	311,251	-	-	**311,251**
Total expenses	3,329,470	-	-	**3,329,470**
Change in net assets	(405,016)	523,402	69,902	**188,288**
Net assets, beginning of year	2,493,734	13,149,497	8,013,250	**23,656,481**
Net assets, end of year	**$ 2,088,718**	**$ 13,672,899**	**$ 8,083,152**	**$ 23,844,769**

Columbia Basin College Foundation

Statement of Activities and Changes in Net Assets

June 30, 2017

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

Columbia Basin College Foundation

Statement of Cash Flows

June 30, 2018 and 2017

	FY 2018	FY 2017
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Cash received from contributions	**$ 1,805,154**	$ 1,782,813
Cash received from investment income	**883,117**	314,194
Cash received from other sources	**71,358**	68,408
Cash paid for salaries and benefits	**(125,382)**	(122,378)
Cash paid for interest	**(338,754)**	(76,731)
Cash paid for other expenses	**(2,736,519)**	(2,178,037)
Net cash used in operating activities	**(441,026)**	(211,731)
Cash flows from investing activities		
Purchases of investments	**(6,005,835)**	(3,421,381)
Sales or maturity of investments	**6,152,940**	4,043,166
Transfers from cash designated for Health Science Center	**-**	50,000
Transfers from (to) restricted cash and cash equivalents	**(403,520)**	235,630
Collections on advances to Columbia Basin College	**355,178**	380,117
Advances to Columbia Basin College for Health Science Center II	**(2,877,715)**	(4,109,328)
Net cash used in investing activities	**(2,778,952)**	(2,821,796)
Cash flows from financing activities		
Cash received from contributions restricted for		
investments in endowments	**95,985**	125,509
Construction loan proceeds designated for Health Science Center II	**2,866,102**	4,059,328
Principal payments on notes payable	**(343,587)**	(198,714)
Net cash provided by financing activities	**2,618,500**	3,986,123
Net increase (decrease) in cash and cash equivalents	**(601,478)**	952,596
Cash and cash equivalents, beginning of year	**2,225,894**	1,273,298
Cash and cash equivalents, end of year	**$ 1,624,416**	$ 2,225,894

Notes to the Financial Statements

June 30, 2018

These notes form an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

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

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2018, the Foundation distributed approximately $2.1 million to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at Debbie Risk, Director of Finance and Operation at 509-542-4436 or email drisk@columbiabasin.edu.

Basis of Presentation

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

Basis of Accounting

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

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

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments

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

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents, investments and securities.

Accounts Receivable

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

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

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. 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 are generally 2 to 40 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

Unearned Revenues
Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. The College has recorded summer quarter tuition and fees, as unearned revenues

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

Pension Liability
For purposes of measuring the net pension liability in accordance with GASB Statement No 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.

Beginning fiscal year 2017, the College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB 73 Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 (Accounting and Financial Reporting for Pensions). The reporting requirements are similar to GASB 68 but use current fiscal year end as the measurement date for reporting the pension liabilities.

OPEB Liability

In fiscal year 2018, the College implemented GASB Statement No. 75, Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB). This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one year lag measurement date similar to GASB Statement No. 68.

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.

Deferred outflows related to 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 period of time. Deferred inflows related to pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized in the same manner as deferred outflows.

Deferred outflows and 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 college's proportionate share of pension liabilities. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Employer transactions to pension plans made subsequent to the measurement date are also deferred and reduce pension liabilities in the subsequent year.

The portion of differences between expected and actual experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, and changes in the college's proportionate share of OPEB liability that are not recognized in OPEB expense should be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. Differences between projected and actual earning on OPEB plan investments that are not recognized in OPEB expense should be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. Employer contributions to the OPEB plan subsequent to the measurement date of the collective OPEB liability should be recorded as deferred outflows of resources related to OPEB.

Net Position

The College's net position is classified as follows.

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

- *Restricted for Nonexpendable*. This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principle.

- *Restricted for Loans*. The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.

- *Restricted for Expendable*. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.

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

Classification of Revenues and Expenses

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues. This includes activities that are directly related to the principal operations of the College, such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) federal, state and local grants and contracts that primarily support the operational/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. Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation.

Non-operating Revenues. This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government.

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

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2018 are $10,081,729.

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

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

Note 2 - Accounting and Reporting Changes

Reporting Changes
In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).* The scope of this Statement addresses accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to employees of state and local governmental employers. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered

through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. The College has implemented this pronouncement during the 2018 fiscal year.

Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB),* the College has a deficit unrestricted net position of $11,236,415. This new accounting standard requires the College to recognize its portion of the State's total OPEB liability, reducing net position by a substantial amount. Additional information regarding GASB Statement No. 75 can be found in Note 18.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The College took into consideration this guidance as it implemented GASB Statement No. 75 for OPEB.

Prior Period Adjustment
Beginning net position was restated by *$22,605,351* in fiscal year 2018 as a result of implementing GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).*

Accounting Standard Impacting the Future
In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations,* to addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The effective of this Statement is fiscal year 2019. The College is in the process of reviewing its assets to ensure compliance with this reporting requirement.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be in effect beginning fiscal year 2021. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

Note 3 - Cash and Investments

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

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated for general operating needs of the College. The internal investment pool is comprised of cash, cash equivalents and investments and securities as authorized by RCW 39.60.50.

As of June 30, 2018, the carrying amount of the College's cash and equivalents was $12,178,100 as represented in the table below.

Cash and Cash Equivalents		**June 30, 2018**
Petty Cash and Change Funds	$	5,354
Bank Demand and Time Deposits		12,172,746
Total Cash and Cash Equivalents	**$**	**12,178,100**

Custodial Credit Risks—Deposits

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

Interest Rate Risk—Investments

Fair Value Hierarchy

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

> Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities. Level 1 investments include equity securities and other publicly traded securities.
>
> Level 2 – Theses are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable. Level 2 investments include fixed or variable income securities, commingled funds, certain derivatives and other assets that are valued using market information.

Level 3 - These are unobservable inputs, such as a property valuation or an appraisal. Unobservable input are those that reflect the College's own assumptions about the assumptions that market participants would use in pricing the asset developed, based on the best information available in the circumstances (e.g. investment manager pricing for private placements, private equities and hedge funds).

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

Investment Maturities	**One Year or Less**	**1 - 5 Years**	**Total**
Level 1			
U.S. Government Treasury	3,980,000	4,020,000	8,000,000
U.S. Treasuries	107,109	7,856,225	7,963,334
Total Investments	**4,087,109**	**11,876,225**	**15,963,334**

Concentration of Credit Risk—Investments

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

Custodial Credit Risk—Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2018, $ 15,963,334 of the College's operating fund investments, held by US Bank and Charles Schwab as agent for the College are exposed to custodial credit risk as follows.

Investments Exposed to Custodial Risk	**Fair Value**
US Government Agency Security	7,963,334
Charles Schwab	8,000,000
Total Investments Exposed to Custodial Risk	**$ 15,963,334**

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, 2018 were $28,820

Note 4 - Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2018, accounts receivables were $1,492.691.

Accounts Receivable		**Amount**
Student Tuition and Fees	$	677,870
Due from the Federal Government		211,199
Due from Other State Agencies		178,553
Interest Receivable		9,333
Other		457,873
Subtotal		1,534,828
Less Allowance for Uncollectible Accounts		(42,137)
Accounts Receivable, net	**$**	**1,492,691**

Note 5 – Inventories

Inventories, stated at cost FIFO method, as of June 30, 2018, were as follows:

Inventories		**Amount**
Merchandise Inventories		381,131
Inventories	**$**	**381,131**

Note 6 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2018 is presented as follows. The current year depreciation expense was $3,861,779

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	1,173,788	407,000		1,580,788
Construction in progress	18,541,575		18,541,575	(0)
Total capital assets, non-depreciable	19,715,363	407,000	18,541,575	1,580,788
Capital assets, depreciable				
Buildings	115,981,561	30,656,078	321,975	146,315,664
Other improvements and infrastructure	1,610,233			1,610,233
Equipment	8,567,368	507,938	77,666	8,997,640
Library resources	639,739	24,838		664,577
Total capital assets, depreciable	126,798,901	31,188,854	399,641	157,588,114
Less accumulated depreciation				
Buildings	(31,668,207)	(2,957,526)	43,056	(34,582,678)
Other improvements and infrastructure	(959,002)	(74,511)		(1,033,513)
Equipment	(5,538,414)	(808,289)	77,666	(6,269,038)
Library resources	(536,840)	(21,453)		(558,293)
Total accumulated depreciation	(38,702,463)	(3,861,779)	120,722	(42,443,522)
Total capital assets, depreciable, net	88,096,438	27,327,075	278,919	115,144,592
Capital assets, net	**$ 107,811,801**	**$ 27,734,075**	**$ 18,820,494**	**$ 116,725,379**

Note 7 - Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2018, were as follows:

Accounts Payable and Accrued Liabilities		Amount
Amounts Owed to Employees	$	31,412,810
Accounts Payable		11,458,830
Amounts Held for Others and Retainage		2,711,442
Total	**$**	**45,583,082**

Note 8 - Unearned Revenue

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

Unearned Revenue		Amount
Summer Quarter Tuition & Fees	$	1,867,001
Total Unearned Revenue	$	1,867,001

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

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

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, 2017 through June 30, 2018, were $22,175.80. Cash reserves for unemployment compensation for all employees at June 30, 2018, were $40,000.

Note 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 the total balance on the payroll records. The accrued vacation leave totaled *$1,402,538* and accrued sick leave totaled *$1,747,604* at June 30, 2018.

An estimated amount, based on a three-year average payout, is accrued as a current liability. The remaining amount of 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.

Note 11 –Leases Payable

Operating Lease - In 2007, the College entered into annual lease agreement for Chase Center property. The lease agreement in effect is considered an operating lease. During the years ended June 30, 2018, the College recorded the $319,244 for operating lease.

Capital Lease - The College also entered into a long term lease-leaseback agreement with the Columbia Basin College Foundation and Kadlec Medical Center for financing the construction of Wortman Medical Science Center. As of June 2018, the College had the capital lease payable to the Foundation as follows.

Capital Lease Payable

Fiscal year	Principal	Interest	Total
2019	$136,616	$293,642	$430,258
2020	$141,900	$288,359	$430,258
2021	$149,004	$281,254	$430,258
2022	$155,632	$274,627	$430,258
2023	$162,554	$267,704	$430,258
2024 and thereafter	$5,933,882	$3,497,390	$9,431,272
Total	$6,679,588	$4,902,976	**$11,582,564**

Note 12 - Notes Payable

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

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

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

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

Note 13 - Annual Debt Service Requirements

Future debt service requirements at June 30, 2018 are as follows:

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2019	$ 1,263,534.71	$ 156,517.06	$ 1,420,051.77
2020	$ 1,312,049.32	$ 94,764.08	$ 1,406,813.40
2021	$ 416,256.97	$ 51,556.42	$ 467,813.39
2022	$ 135,000.00	$ 38,400.00	$ 173,400.00
2023-26	$ 765,000.00	$ 86,712.50	$ 851,712.50
Total	**$ 3,891,841**	**$ 427,950**	**$ 4,319,791**

Note 14 - Schedule of Long Term Liabilities

	Balance outstanding 6/30/17	Additions	Reductions	Balance outstanding 6/30/18	Current portion
Certificates of Participation	$ 5,092,520		$ 1,200,679	$ 3,891,841	$ 1,263,535
Compensation absences	3,058,286	91,855		3,150,141	1,188,629
Capital leases	6,941,185		261,597	6,679,588	136,616
Pension liability (GASB 68)	5,950,389		989,356	4,961,033	
Pension liability (GASB 73)	2,815,631		337,537	2,478,094	45,389
OPEB Pension (GASB 75)	-	20,823,541		20,823,541	2,044,107
Total	**$23,858,011**	**$ 20,915,396**	**$ 2,789,169**	**$ 41,984,238**	**$ 4,678,276**

Note 15 - Pension Liability

Pension liabilities (GASB 68 & 73) reported as of June 30, 2018 consists of the plans in the following page.

Pension Liability by Plan

PERS 1	$	2,441,058
PERS 2/3		2,073,463
TRS 1		380,327
TRS 2/3		66,184
SBRP		2,478,094
Total	**$**	**7,439,127**

Note 16 - Retirement Plans

A. General

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

For fiscal year 2018, the covered payroll for the College's retirement plans was as follows:

Covered Payroll by Plan

PERS	$	6,436,426
TRS		441,717
SBRP		23,999,480
Total Covered Payroll	**$**	**30,877,622**

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.

In accordance with Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities to align with the State CAFR.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 and No. 73 for the College, for fiscal year 2018:

Aggregate Pension Amounts - All Plans		
Pension Liabilities	$	7,439,127
Deferred outflows of resources related to pensions	$	1,362,913
Deferred inflows of resources related to pensions	$	1,891,596
Pension Expense	$	741,471

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, 2018, 2017, and 2016 are as follows.

Contribution Rates at June 30

	FY 2016		FY 2017		FY 2018	
PERS	Employee	College	Employee	College	Employee	College
Plan 1	6.00%	11.18%	6.00%	11.18%	6.00%	12.70%
Plan 2	6.12%	11.18%	6.12%	11.18%	7.38%	12.70%
Plan 3	5 - 15%	11.18%	5 - 15%	11.18%	5 - 15%	12.70%
TRS						
Plan 1	6.00%	13.13%	6.00%	13.13%	6.00%	15.20%
Plan 2	5.95%	13.13%	5.95%	13.13%	7.06%	15.20%
Plan 3	5-15%	13.13%	5-15%	13.13%	5-15%	15.20%

Required Contributions

	FY 2016		FY 2017		FY 2018	
PERS	Employee	College	Employee	College	Employee	College
Plan 1	$18,142.88	$33,806.28	$16,523.06	$30,788.13	$ 16,821.78	$ 35,606.10
Plan 2	$209,691.22	$383,068.42	$232,231.02	$424,237.50	$ 298,751.62	$ 514,120.98
Plan 3	$136,305.25	$210,477.15	$145,654.21	$231,369.85	$ 150,185.79	$ 267,681.76
TRS						
Plan 1	$9,474.23	$20,059.01	$9,222.62	$20,182.20	$ 1,574.17	$ 4,266.00
Plan 3	$21,596.32	$27,207.65	$38,518.29	$52,222.10	$ 39,362.79	$ 62,652.07

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, 2017, the annual money-weighted rate of return on the pension investments, net of pension plan investment 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, 2017, 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%	4.90%
Real Estate	15%	5.80%
Public Equity	37%	6.30%
Private Equity	23%	9.30%
Total	**100%**	

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

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Actuarially determined pension expense	$ 152,371	$ 288,313	$ 24,452	$ 23,795	$ 488,931
Amortization of change in proportionate share of liability	79,471	73,503	-	11,506	164,480
Total Pension Expense	**$231,842**	**$361,815**	**$ 24,452**	**$ 35,301**	**$653,411**

Changes in Proportionate Shares of Pension Liabilities. The changes to the College's proportionate share of pension liabilities from 2016 to 2017 for each retirement plan are listed below:

	2016	2017	Change
PERS 1	0.04993%	0.05144%	0.00152%
PERS 2/3	0.05652%	0.05968%	0.00315%
TRS 1	0.01064%	0.01258%	0.00194%
TRS 2/3	0.00437%	0.00717%	0.00280%

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 for each of the plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' Comprehensive Annual Financial Report (CAFR). The DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov. These assumptions reflect the results of OSA's 2007-2012 Experience Study and the 2015 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry age cost method), assumed interest and actual benefit payments.

- Inflation: 3.0% total economic inflation; 3.75% salary inflation
- Salary Increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.50%

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table." The Society of Actuaries published the document. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout the member's lifetime.

Changes in methods and assumptions since the last valuation include:

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 and TRS Plan 1 is valued for legal order payees was improved.
- The average expected remaining service lives calculation was revised. It is used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

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

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

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

Pension Plan	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
PERS 1	$ 2,973,675	$ 2,441,058	$ 1,979,697
PERS 2/3	$ 5,586,128	$ 2,073,464	$ (804,644)
TRS 1	$ 472,928	$ 380,327	$ 300,174
TRS 2/3	$ 224,786	$ 66,184	$ (62,630)

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, 2018:

	PERS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	91,093
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	346,265	-
Totals	**$ 346,265**	**$ 91,093**

	PERS 2/3	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	210,091	68,193
Difference between expected and actual earnings of pension plan investments	-	552,736
Changes of assumptions	22,024	-
Changes in College's proportionate share of pension liabilities	194,385	6,042
Contributions subsequent to the measurement date	460,661	-
Totals	**$ 887,161**	**$ 626,971**

	TRS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	16,113
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	34,291	-
Totals	**$ 34,291**	**$ 16,113**

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	16,504	3,376
Difference between expected and actual earnings of pension plan investments	-	23,952
Changes of assumptions	780	-
Changes in College's proportionate share of pension liabilities	45,460	-
Contributions subsequent to the measurement date	32,449	-
Totals	**$ 95,193**	**$ 27,328**

The *$1,362,910* 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, 2019.

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

Year ended June 30:	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**
2019	(61,573)	(162,129)	(11,835)	2,122
2020	19,440	104,123	4,431	13,629
2021	(4,514)	(23,910)	(394)	4,369
2022	(44,446)	(203,890)	(8,314)	(5,840)
2023	-	37,102	-	4,403
Thereafter	-	48,233	-	16,732
Total	**$ (91,093)**	**$ (200,470)**	**$ (16,113)**	**$ 35,416**

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

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

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2018 were each $1,385,703.27.

Benefits Provided. The State Board Supplemental Retirement Plans (SRP) 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 SRP pension benefits are unfunded. For the year ended June 30, 2018, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of $1,300,000. The College's share of this amount was $36,955. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2018, the College paid into this fund at a rate of 0.5% of covered salaries, totaling *$85,611*. This amount was not used as a part of GASB 73 calculations its status as an asset has not been determined by the Legislature. As of June 30, 2018, the Community and Technical College system accounted for $16,351,270 of the fund balance.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016. Update procedures were used to roll forward the total pension liability to the June 30, 2018 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 3.58 percent to 3.87 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 3.87 percent for the June 30, 2018, measurement date.

Pension Expense. For the year ended June 30, 2018, the components that make up pension expense for the College are as follows:

Proportionate Share (%)	**2.84%**
Service Cost	$ 108,791
Interest Cost	99,979
Amortization of Differences Between Expected and Actual Experience	(131,732)
Amortization of Changes of Assumptions	(34,880)
Changes of Benefit Terms	-
Administrative Expenses	-
Other Changes in Fiduciary Net Position	-
Proportionate Share of Collective Pension Expense	**42,158**
Amortization of the Change in Proportionate Share of TPL	(18,265)
Total Pension Expense	**$ 23,892**

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for fiscal year ending June 30, 2018 was 2.84%. The College's proportion of the total 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. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Schedule of Changes in Total Pension Liability	**Amount**
Service Cost	$ 108,791
Interest	99,979
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(295,701)
Changes in Assumptions	(100,036)
Benefit Payments	(36,955)
Change in Proportionate Share of TPL	(113,616)
Other	-
Net Change in Total Pension Liability	(337,538)
Total Pension Liability - Beginning	2,815,631
Total Pension Liability - Ending	$ 2,478,093

Plan Membership. Membership in the State Board Supplemental Retirement Plan consisted of the following as of June 30, 2018, the most recent actuarial valuation date:

	Number of Participating Members			
Plan	**Inactive Members or Beneficiaries Currently Receiving Benefits**	**Inactive Members Entitled to But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
SRP	10	2	0	330

Change in Total Pension Liability. The following table presents the change in total pension liability of the State Board Supplemental Retirement Plan at June 30, 2018, the latest measurement date for the plan:

Proportionate Share (%) 2017	2.96%
Proportionate Share (%) 2018	2.84%
Total Pension Liability - Ending 2017	2,815,631
Total Pension Liability - Beginning 2018	2,702,015
Total Pension Liability - Change in Proportion	(113,616)
Total Deferred Inflow/Outflows - 2017	805,617
Total Deferred Inflow/Outflows - 2018	773,109
Total Deferred Inflows/Outflows - Change in Proportion	(32,508)
Total Change in Proportion	(146,124)

Sensitivity of the Total Pension Liability to Changes in the Discount Rate. The following table presents the total pension liability, calculated using the discount rate of 3.87 percent, as well as what the employers' total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

(2.87%)	(3.87%)	(4.87%)
$ 2,826,470	$ 2,478,093	$ 2,188,334

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Difference Between Expected and Actual Experience	-	789,455
Changes of Assumptions	-	212,778
Changes in College's proportionate share of pension liability	-	-
Transactions Subsequent to the Measurement Date	-	-
Total	-	1,002,233

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:

	State Board Supplemental Retirement Plan
2019	(184,878)
2020	(184,878)
2021	(184,878)
2022	(184,878)
2023	(184,878)
Thereafter	(205,702)

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.

Note 17 - Other Post-Employment Benefits

The College implemented Statement No. 75 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* for fiscal year 2018 financial reporting. In addition to pension benefits as described in Note 16 the College, through the Health Care Authority (HCA), administers a single employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB OPEB plan is administered by the state and is funded on a pay-as-you-go basis. In the state CAFR the plan is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. It has no assets. The PEBB OPEB plan does not issue a publicly available financial report.

Employees Covered by Benefit Terms. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 76 of the state's K-12 schools and educational service districts (ESDs), and 249 political subdivisions and tribal governments not included in the state's financial reporting who participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs, Membership in the PEBB plan for the state consisted of the following:

Summary of Plan Participants As of June 30, 2017	
Active Employees	123,379
Retirees Receiving Benefits*	46,180
Retirees Not Receiving Benefits**	6,000
Total Active Employees and Retirees	175,559

*Enrollment data for June, 2017 from Report 1: PEBB Total Member Enrollment for June 2017 Coverage report. PEBB Retirees only.

**This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, Higher Education, Judicial, and LEOFF 2. However, not all employers who participate in these plans offer PEBB to retirees.

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2016, the average weighted implicit subsidy was valued at $304 per member per month, and in calendar year 2017, the average weighted implicit subsidy is projected to be $328 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2016, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar years 2017 and 2018. This will increase in calendar year 2019 to up to $168 per member per month.

Contribution Information. Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

For calendar year 2017, the estimated monthly cost for PEBB benefits for each active employees (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium*		
Medical	$	1,024
Dental		79
Life		4
Long-term Disability		2
Total		1,109
Employer contribution		959
Employee contribution		151
Total	$	1,110

*Per 2017 PEBB Financial Projection Model 8.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2017 which includes projected claims cost at the time of this reporting.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to:
http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

Total OPEB Liability

As of June 30, 2018, the state reported a total OPEB liability of $5.83 billion. The College's proportionate share of the total OPEB liability is $20,823,541. This liability was determined based on a measurement date of June 30, 2017.

Actuarial Assumptions. Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	3%
Projected Salary Changes	3.75% Plus Service-Based Salary Increases
Health Care Trend Rates*	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 7%, reaching an ultimate rate of approximately 5% in 2080
Post-Retirement Participation Percentag	65%
Percentage with Spouse Coverage	45%

*For additional detail on the health care trend rates, please see Office of the State Actuary's 2017 OPEB Actuarial Valuation Report.

In projecting the growth of the explicit subsidy, the cap is assumed to remain constant until 2019, at which time the explicit subsidy cap is assumed to grow at the health care trend rates. The Legislature determines the value of cap and no future increases are guaranteed, however based on historical growth patterns, future increases to the cap are assumed.

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 demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2015 Economic Experience Study.

Actuarial Methodology. The total OPEB liability was determined using the following methodologies:

Actuarial Valuation Date	1/1/2017
Actuarial Measurement Date	6/30/2017
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

In order to calculate the beginning total OPEB liability balance under GASB 75, the January 1, 2017 actuarial valuation was projected backwards to the measurement date of June 30, 2016, while the ending balance was determined by projecting the January 1, 2017 valuation forward to June 30, 2017. Both the forward and backward projections reflect the plan's assumed service cost, assumed interest, and expected benefit payments.

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.85 percent for the June 30, 2016 measurement date and 3.58 percent for the June 30, 2017 measurement date.

Additional detail on assumptions and methods can be found on OSA's website:
http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

Changes in Total OPEB Liability

As of June 30, 2018, components of the calculation of total OPEB lability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

Columbia Basin College		
Proportionate Share (%)		**0.3574352199%**
Service Cost	$	1,411,709
Interest Cost		661,253
Differences Between Expected and Actual Experienc		-
Changes in Assumptions*		(3,225,605)
Changes of Benefit Terms		-
Benefit Payments		(336,985)
Changes in Proportionate Share		(638,815)
Other		-
Net Change in Total OPEB Liability		(2,128,443)
Total OPEB Liability - Beginning		22,951,984
Total OPEB Liability - Ending	**$**	**20,823,541**

*The recognition period for these changes is nine years. This is equal to the average expected remaining service lives of all active and inactive members.

Changes in assumptions resulted from an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate resulting in an overall decrease in total OPEB liability for the measurement date of June 30, 2017.

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of the College, calculated using the discount rate of 3.58 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

Discount Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 25,407,291	$ 20,823,541	$ 17,276,455

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the College, calculated using the health care trend rates of 7.00 percent decreasing to 5.00 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (6.00 percent decreasing to 4.00 percent) or 1 percentage point higher (8.0 percent decreasing to 6.00 percent that the current rate:

Health Care Cost Trend Rate Sensitivity		
	Current	
1% Decrease	Discount Rate	1% Increase
$ 16,822,556	$ 20,823,541	$ 26,193,221

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ending June 30, 2018, the College will recognize OPEB expense of $1,644,654. OPEB expense consists of the following elements:

Columbia Basin College		
Proportionate Share (%)		**0.3574352199%**
Service Cost	$	1,411,709
Interest Cost	$	661,253
Amortization of Difference Between Expected and Actual Experience	$	-
Amortization of Changes in Assumptions	$	(358,401)
Changes of Benefit Terms	$	-
Amortization of Changes in Proportion	$	(69,907)
Administrative Expenses	$	-
Total OPEB Expense	**$**	**1,644,654**

As of June 30, 2018, the deferred inflows and deferred outflows of resources for the College are as follows:

Columbia Basin College		
Proportionate Share (%)	**0.3574352199%**	
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience	$ -	$ -
Changes in assumptions	2,867,204	-
Transactions subsequent to the measurement date	-	329,546
Changes in proportion	559,260	-
Total Deferred Inflows/Outflows	**$ 3,426,464**	**$ 329,546**

Amounts reported as deferred outflow of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

Proportionate Share (%)		**0.3574352199%**
2019	$	(428,308)
2020	$	(428,308)
2021	$	(428,308)
2022	$	(428,308)
2023	$	(428,308)
Thereafter	$	(1,284,924)

The change in the College's proportionate share of OPEB liability and deferred inflows and deferred outflows of resources based on measurement date are representing in the following table:

Proportionate Share (%) 2016		**0.3676684179%**
Proportionate Share (%) 2017		**0.3574352199%**
Total OPEB Liability - Ending 2016	$	22,951,984
Total OPEB Liability - Beginning 2017		22,313,169
Total OPEB Liability Change in Proportion		(638,815)
Total Deferred Inflows/Outflows - 2016		346,633
Total Deferred Inflows/Outflows - 2017		336,985
Total Deferred Inflows/Outflows Change in Proportion		(9,648)
Total Change in Proportion	**$**	**(629,167)**

Note 18 - 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, 2018.

Expenses by Functional Classification	
Instruction	24,126,989
Institutional Support	8,980,748
Student Services	6,786,149
Scholarships and Other Student Financial Aid	6,524,068
Operations and Maintenance of Plant	5,450,317
Auxiliary enterprises	3,242,501
Academic Support Services	2,780,997
Depreciation	3,861,780
Total operating expenses	**61,753,549**

Note 19 - Commitments and Contingencies

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

Note 20 – Contingent Liabilities

An advance of $1,566,194 to Columbia Basin College on the Foundation financial statements is rental receivables from Kadlec Medical Center. The Columbia Basin College Foundation obtained a loan for the construction of Health Science Center I. The loan is paid back by lease payment from Kadlec Medical Center. The College is secondarily liable for the indebtedness in the event Kadlec defaults or goes bankruptcy. The College did not recognize the liabilities in the Statement of Net Position as the event is unlikely to occur and is not probable.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

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

Schedule of Columbia Basin College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.048122%	$ 2,424,168	$ 4,943,673	49.04%	61.19%
2015	0.047067%	$ 2,462,042	$ 5,050,633	48.75%	59.10%
2016	0.049926%	$ 2,681,261	$ 5,578,942	48.06%	57.03%
2017	0.051444%	$ 2,441,058	$ 6,157,218	39.65%	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 Columbia Basin College's Proportionate Share of the Net Pension Liability

Schedule of Columbia Basin College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.054078%	$ 1,093,112	$ 4,640,749	23.55%	93.29%
2015	0.053622%	$ 1,915,945	$ 4,766,644	40.19%	89.20%
2016	0.056523%	$ 2,845,888	$ 5,276,901	53.93%	85.82%
2017	0.059676%	$ 2,073,463	$ 5,881,117	35.26%	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 Columbia Basin College's Proportionate Share of the Net Pension Liability

Schedule of Columbia Basin College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.009419%	$ 277,809	$ 239,976	115.77%	68.77%
2015	0.010300%	$ 327,554	$ 330,538	99.10%	65.70%
2016	0.010639%	$ 363,241	$ 375,119	96.83%	62.07%
2017	0.012580%	$ 380,327	$ 542,702	70.08%	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 Columbia Basin College's Proportionate Share of the Net Pension Liability

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
Schedule of Columbia Basin College's Share of the Net Pension Liability					
Teachers' Retirement System (TRS) Plan 2/3					
Measurement Date of June 30					
2014	0.002337%	$ 7,548	$ 92,719	8.14%	96.81%
2015	0.003807%	$ 32,124	$ 182,782	17.58%	92.48%
2016	0.004369%	$ 59,999	$ 218,388	27.47%	88.72%
2017	0.007171%	$ 66,184	$ 388,097	17.05%	96.88%
2018					
2019					
2020					
2021					
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 27,889	$ 27,889	$ -	$ 4,943,673	9.21%
2015	$ 26,155	$ 25,990	$ 165	$ 5,050,633	9.15%
2016	$ 33,806	$ 33,806		$ 5,578,942	11.19%
2017	$ 30,788	$ 30,788	$ -	$ 6,157,218	0.50%
2018	$ 35,606	$ 35,606		$ 6,417,927	0.55%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 427,321	$ 427,321	$ -	$ 4,640,749	9.21%
2015	$ 439,008	$ 438,987	$ 21	$ 4,766,644	9.21%
2016	$ 593,546	$ 593,546	$ -	$ 5,276,901	11.25%
2017	$ 655,607	$ 655,607	$ -	$ 5,881,117	11.15%
2018	$ 781,803	$ 781,803	$ -	$ 6,137,479	12.70%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 14,774	$ 14,774	$ -	$ 239,185	6.18%
2015	$ 15,352	$ 15,352	$ -	$ 330,538	4.64%
2016	$ 20,059	$ 20,059		$ 375,119	5.35%
2017	$ 20,182	$ 20,182	$ -	$ 542,702	3.72%
2018	$ 4,266	$ 4,266	$ -	$ 450,633	0.95%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 9,472	$ 10,472	$ (1,000)	$ 91,928	10.30%
2015	$ 18,991	$ 19,193	$ (202)	$ 182,782	10.50%
2016	$ 27,208	$ 27,208		$ 218,388	12.46%
2017	$ 52,222	$ 52,222	$ -	$ 388,097	13.46%
2018	$ 62,782	$ 62,782	$ -	$ 418,145	15.01%
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 Columbia Basin College Fiscal Year Ended June 30*		
Total Pension Liability	**2017**	**2018**
Service cost	$ 160,466	$ 108,791
Interest	104,094	99,979
Differences between expected and actual experience	(750,519)	(295,701)
Changes of assumptions	(177,143)	(100,036)
Benefit payments	(26,720)	(36,955)
Change in proportionate share of TPL	-	(113,616)
Net Change in Total Pension Liability	(689,822)	(337,538)
Total Pension Liability - Beginning	3,505,497	2,815,631
Total Pension Liability - Ending	2,815,631	$ 2,478,093
College's proportion of the Total Pension Liability (%)	2.962263%	2.842730%
Covered-employee payroll	$ 17,286,577	$ 17,147,574
Total Pension Liability as a percentage of covered-employee payroll	16.287962%	14.451566%

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

Higher Education Supplemental Defined Benefit Plans

Notes to Required Supplementary Information

The Higher Education Supplemental Retirement Plans are financed on a pay-as-you-go basis. State institutions of higher education make 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.

Other Post Employment Benefits (OPEB)

Schedule of Changes in Total OPEB Liability and Related Ratios
Columbia Basin College
As of the Measurement Date June 30

Proportionate Share (%)	**0.3574352199%**
Service Cost	$ 1,411,709
Interest Cost	661,253
Differences Between Expected and Actual Experience	-
Changes in Assumptions*	(3,225,605)
Changes of Benefit Terms	-
Benefit Payments	(336,985)
Changes in Proportionate Share	(638,815)
Other	-
Net Change in Total OPEB Liability	(2,128,443)
Total OPEB Liability - Beginning	22,951,984
Total OPEB Liability - Ending	**$ 20,823,541**

*The recognition period for these changes is nine years. This is equal to the average expected remaining service lives of all active and inactive members.

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

Notes to Required Supplementary Information

The Public Employee's Benefits Board OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentage.

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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