Big Bend Community College

FINANCIAL REPORT

For Fiscal Year Ended
June 30, 2014

2014 Financial Report

TABLE OF CONTENTS

For information about the financial data included in this report, contact:
Vice President for Finance and Administration
Big Bend Community College
7662 Chanute Street NE
Moses Lake, WA 98837
509.793.2002

For information about enrollment, degrees awarded, or academic programs, contact:
Vice President of Instruction and Student Services
Big Bend Community College
7662 Chanute Street NE
Moses Lake, WA 98837
509.793.2063
or
Visit the Facts and Stats of Big Bend Community College – Home page at
http://www.bigbend.edu/category/information-center/big-bend-factoids/

TRUSTEES AND ADMINISTRATIVE OFFICERS

Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT

February 8, 2016

Board of Trustees
Big Bend Community College
Moses Lake, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Big Bend Community College, Grant County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Big Bend Community College, as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Big Bend Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2014, 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 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. Although our opinion on the basic financial statements is not affected, management has not presented all of the required comparative financial information in the management discussion and analysis, which is a material departure from the prescribed guidelines. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2016 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.

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements & Financial Analysis

The following discussion and analysis provides an overview of the financial position and activities of Big Bend Community College (the College) for the fiscal year ended June 30, 2014 (FY 2014). The 2014 report constitutes the college's inaugural audited financial statements. As a result, no comparisons with FY 2013 are included in this discussion, but as a whole Big Bend financial position improved.

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

Big Bend Community 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 3,433 students. The College confers associates degrees, certificates and high school diplomas. Established in 1962, Big Bend Community College's mission and its primary purpose is to deliver lifelong learning through commitment to student success, excellence in teaching and learning, and community engagement.

Our beautiful Moses Lake campus and distance learning sites are located in the heart of the central Columbia Basin of Washington state. The boundaries of our 4,600-square-mile district surround rivers, lakes, mountains, and rich, productive agricultural land. The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The College's financial statements include the 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 at a moment in time, at year-end. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over a period of time. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health as a whole.

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

Statement of Net Position

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

Condensed Statement of Net Position As of June 30th		**FY 2014**
Assets		
Current Assets		11,552,598
Capital Assets, net		22,169,294
Other Assets, non-current		11,664,317
Deferred Outflows of Resources		-
Total Assets	$	**45,386,209**
Liabilities		
Current Liabilities		1,682,525
Other Liabilities, non-current		3,964,594
Deferred Inflows of Resources		-
Total Liabilities	$	**5,647,119**
Net Position	**$**	**39,739,090**

Assets

Current assets consist primarily of cash, short term investments, various accounts receivables and inventories. The college invests conservatively in those securities and deposits authorized by statute (RCW 36.29, 39.58, 39.59, 43.84.080 and 43.250).

Capital assets are owned by the State of Washington and managed by the College. The community and technical college system submits a single prioritized request to the Office of Financial Management and Legislature for appropriated capital funds, which includes major projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed

Non-current assets consist primarily of the long-term portion of certain investments and student loans receivable. The college makes Student Loans as part of the Perkins program.

Liabilities

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 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 compensated absences and the long-term portion of Certificates of Participation (COP) debt.

Compensated Absences

Compensated absences are the value of vacation and sick leave earned but not yet used by employees. Employees earn leave and may take the leave in the course of employment, and, unused balances at the tie of termination of employment are compensated within the limits provided in state law.

Long-Term Debt Activities

On June 30, 2014, the college had $3,095,000 in outstanding debt. The college holds COP debt for one project being repaid by various sources for our GCATEC (Grant County Advanced Technologies Education Center) building. The college holds debt for one energy efficiency project for outside lighting; the vendor guaranteed savings from the energy improvements are used as the repayment mechanism.

Net Position

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.

Restricted:

Non Expendable – consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only. 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 from our Perkins program.

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.

Condensed Net Position As of June 30th	FY 2014
Net Investment in Capital Assets	$19,074,294
Restricted	
Student Loan	$470,902
Unrestricted	$20,193,894
Total Net Position	**$39,739,090**

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 2014. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid by the College, along with any other revenue, expenses, gains and losses of the College.

Generally, operating revenues are earned by the College in exchange for providing goods and services. Tuition and grants and contracts are included in this category. In contrast, non-operating revenues include monies the college receives from another government 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 statement of revenues, expense and changes in net position is presented below. A single year is presented as part of this inaugural set of financial statements. Future years will include comparative information.

Condensed Statement of Revenue, Expenses and Changes in Net Position As of June 30th		FY 2014
Operating Revenues		16,940,555
Operating Expenses		28,487,989
Net Operating Loss		(11,547,434)
Non-Operating Revenues		14,429,222
Non-Operating Expenses		889,561
Gain (Loss) Before Other		1,992,227
Capital Appropriations		881,972
Increase (Decrease) in Net Position		2,874,199
Net Position, Beginning of the Year	$	36,864,891
Net Position, End of the Year	$	39,739,090

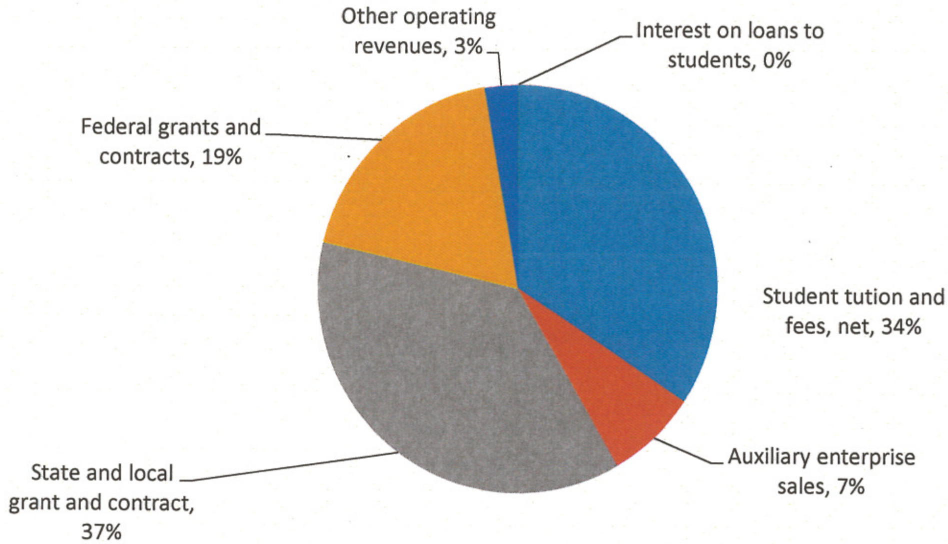
Revenues

Continuing a trend that began midway through fiscal year 2009, the College's state operating appropriations decreased multiple times up through FY 2013. 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. System-level appropriations hit their height in FY 2009 and as of FY 2013 had been reduced by almost 24%. In FY 2014, the Legislature reinstated a small portion of the previous cuts.

Over this same period, the Legislature and SBCTC instituted increases in tuition rates to partially offset the reduction in state appropriations. Since enrollments increased slightly in FY 2014, the College's increase in tuition and fee revenue is primarily attributable to the increased tuition rates along with changes in mix as to an increase in full time students and online offerings. Pell grant revenues generally follow enrollment trends. As the College's enrollment leveled off during FY 2014, so did the College's Pell Grant revenue. For FY2014, the College attempted to keep hold other fees as stable as possible, resulting in only small changes in these revenues.

The College continues 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. Expenditures from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenditures that meet the capitalization standard are not shown as expense in the current period and are instead recognized as depreciation expense over the expected useful lifetime of the asset.



Operating Revenues by Category

For the year ended June 30, 2014

Student tution and fees, net	5,806,330	34%
Auxiliary enterprise sales	1,245,122	7%
State and local grant and contract	6,267,994	37%
Federal grants and contracts	3,148,347	19%
Other operating revenues	469,862	3%
Interest on loans to students	2,900	0%
	16,940,555	**100%**

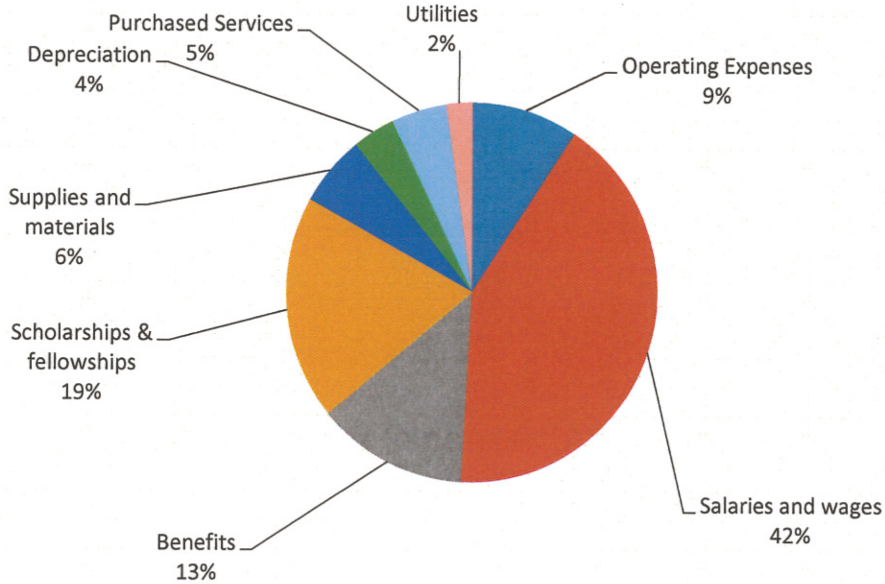
Expenses

Faced with severe budget cuts over the past five years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions.

More recently, in FY 2014, salary and benefit costs increased as result of adding positions, negotiated increases for faculty, having to compete in the job market in order to replace retiring exempt employees and/or faculty and the college taking on higher percentages for grant supported positions in prior years. The College has reduced utility expenses in FY 2014 as a result of our energy efficiency project for outside lighting.

Operating Expenses by Category

For the Year Ended June 30, 2014



Operating Expenses by Category

For the year ended June 30, 2014

Operating Expenses	2,645,486	9%
Salaries and wages	11,833,717	42%
Benefits	3,743,759	13%
Scholarships & fellowships	5,442,427	19%
Supplies and materials	1,733,440	6%
Depreciation	1,056,135	4%
Purchased Services	1,371,582	5%
Utilities	661,443	2%
Total	**28,487,989**	**100%**

Capital Assets and Long-Term Debt Activities

The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed.

At June 30, 2014, the College had invested $22,169,294 in capital assets, net of accumulated depreciation. This represents a decrease of $947,061 from last year, as shown in the table below.

Asset Type	June 30, 2014	June 30, 2013 (unaudited)	Change
Land	51,700	51,700	-
Construction in Progress	-	-	-
Buildings, net	21,073,317	21,856,091	(782,774)
Other Improvements and Infrastructure, net	41,096	71,347	(30,251)
Equipment, net	992,836	1,117,241	(124,405)
Library Resources, net	10,345	19,976	(9,631)
Total Capital Assets, Net	**$22,169,294**	**$23,116,355**	**-$947,061**

In FY 2014, the College applied the retroactive infrastructure reporting requirements of Government Accounting Standards Board Statement Number 34 for the first time. FY 2013 amounts have not been restated to recognize these changes. Office of Financial Management changed capitalization level for Buildings and Other Improvements from $5,000 to $100,000 in 2008 but the College didn't make the change until FY 2014.

At June 30, 2014, the College had $3,095,000 in outstanding debt. The College holds Certificate of Participations (COP) for the GCATEC (Grant County Advanced Technologies Education Center) building and for an energy efficiency project for outside lighting.

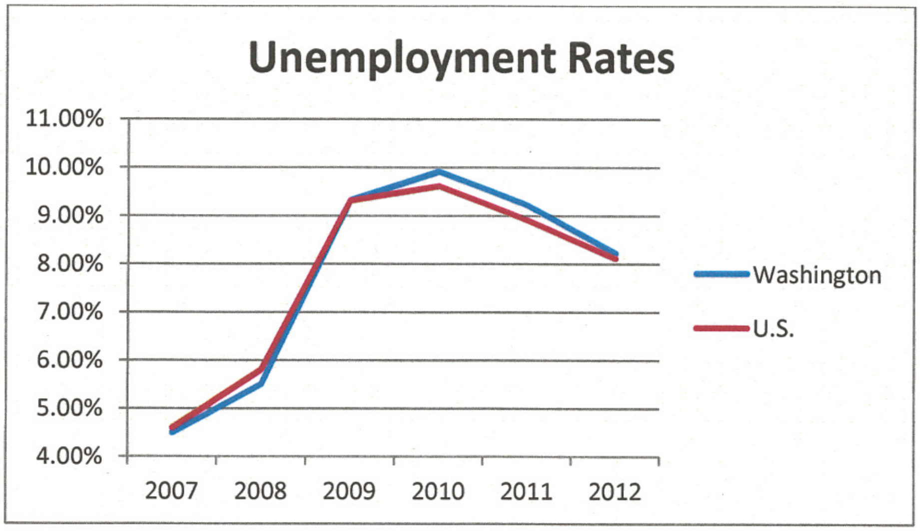
	June 30, 2014
Certificates of Participation	3,095,000
Total	**$3,095,000**

Economic Factors That Will Affect the Future

Following a trend that began in FY 2009, the College's state operating appropriations continued to decrease through FY 2013. More recently, when creating the 2013 – 2015 biennial budget, the state Legislature re-invested in community and technical colleges. They continued this trend with a supplemental budget that included community colleges as a key partner in an investment in aerospace training. As a result, the net reduction of community college funding between FY 2009 and expected funding levels by the end of FY 2015 will have been a little over 15 percent. These investments in community colleges allowed the Legislature to keep FY 2014 tuition flat for resident, non-resident and baccalaureate students.

In our community we are seeing a great influx of business and industry, which as a college we are trying to find ways to assist in growing an educated workforce. We will begin construction on a new building in 2017 which will encompass several different educational trades and we will be introducing our newly developed agriculture program.

A hallmark of community colleges is the flexibility to quickly respond to the needs of the community, resulting in a pattern of high enrollment during economic downturns, punctuated by lower enrollment when the job market is strong. The Great Recession of 2008 has had a lingering effect on the job market in Washington, which has only recently shown improvement. Enrollment is down from its most recent peak statewide; locally enrollment is up slightly.



Big Bend Community College

Statement of Net Position

June 30,2014

Assets	
Current assets	
Cash and cash equivalents	9,045,215
Short-term investments	1,035,000
Accounts Receivable, net	1,016,250
Student Loans Receivable, net	75,803
Interest Receivable	84,115
Inventories	280,514
Prepaid Expenses	15,701
Total current assets	11,552,598
Non-Current Assets	
Long-term investments	11,429,140
Student Loans Receivable	235,177
Capital assets, net of depreciation	22,169,294
Total non-current assets	33,833,611
Total assets	**45,386,208**
Deferred Outflows of Resources	-
Total Assets and Deferred Outflows of Resources	**45,386,208**
Liabilities	
Current Liabilities	
Accounts Payable	569,695
Accrued Liabilities	525,550
Deposits Payable	55,734
Unearned Revenue	276,546
Certificates of Participation Payable	255,000
Total current liabilities	1,682,525
Noncurrent Liabilities	
Compensated Absences	1,124,594
Long-term liabilities	2,840,000
Total non-current liabilities	3,964,594
Total liabilities	**5,647,119**
Deferred Inflows of Resources	-
Total Liabilities and Deferred Inflows of Resources	**5,647,119**
Net Position	
Net Investment in Capital Assets	19,074,294
Restricted for:	
Student Loans	470,902
Unrestricted	20,193,894
Total Net Position	**39,739,090**
Total Liabilities and Net Position	**45,386,209**

The accompanying notes are an integral part of the financial statements

Big Bend Community College

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

Operating Revenues		
Student tuition and fees, net		5,806,330
Auxiliary enterprise sales		1,245,122
State and local grants and contracts		6,267,994
Federal grants and contracts		3,148,347
Other operating revenues		469,862
Interest on loans to students		2,900
	Total operating revenue	16,940,555
Operating Expenses		
Operating Expenses		2,645,486
Salaries and wages		11,833,717
Benefits		3,743,759
Scholarships and fellowships		5,442,427
Supplies and materials		1,733,440
Depreciation		1,056,135
Purchased services		1,371,582
Utilities		661,443
	Total operating expenses	28,487,989
	Operating income (loss)	(11,547,433)
Non-Operating Revenues		
State appropriations		9,660,536
Federal Pell grant revenue		4,684,489
Investment income, gains and losses		84,197
	Net non-operating revenues	**14,429,222**
Non-Operating Expenses		
Interest on indebtedness		170,195
Building and innovation fee		719,366
	Net non-operating expenses	**889,561**
Income or (loss) before capital appropriations		1,992,227
Capital appropriations		881,972
	Increase (Decrease) in net position	2,874,199
Net Position		
Net position, beginning of year		36,864,891
Net position, end of year		39,739,090

The accompanying notes are an integral part of the financial statements

Big Bend Community College

Statement of Cash Flows

For the Year Ended June 30, 2014

Cash flow from operating activities	
Student tuition and fees	5,806,330
Grants and contracts	9,416,341
Payments to vendors	(5,710,081)
Payments for utilities	(661,443)
Payments to employees	(11,833,717)
Payments for benefits	(3,743,759)
Auxiliary enterprise sales	1,245,122
Payments for scholarships and fellowships	(5,442,427)
Loans issued to students and employees	(8,157)
Collection of loans to students and employees	0
Other receipts (payments)	649,988
Net cash used by operating activities	(10,281,803)
Cash flow from noncapital financing activities	
State appropriations	9,660,536
Pell grants	4,684,489
Building and Innovation fee	(719,366)
Net cash provided by noncapital financing activities	13,625,659
Cash flow from capital and related financing activities	
Proceeds of capital debt	0
Capital appropriations	881,972
Purchases of capital assets	(1,787,186)
Certificate of participations proceeds	0
Principal paid on capital debt	(205,000)
Interest paid	(170,195)
Net cash used by capital and related financing activities	(1,280,409)
Cash flow from investing activities	
Purchase of investments	(12,538,802)
Proceeds from sales and maturities of investments	0
Income of investments	84,197
Net cash provided by investing activities	(12,454,605)
Decrease in cash and cash equivalents	(10,391,158)
Cash and cash equivalents at the beginning of the year	19,436,373
Cash and cash equivalents at the end of the year	9,045,215

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	(11,547,433)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	1,056,135
Changes in assets and liabilities	
Receivables , net	74,601
Inventories	26,757
Other assets	59
Accounts payable	61,590
Accrued liabilities	21,195
Unearned revenue	36,487
Compensated absences	(8,491)
Deposits payable	5,455
Loans to students and employees	(8,157)
Net cash used by operating activities	(10,281,802)

The accompanying notes are an integral part of the financial statements

Notes to the Financial Statements

June 30, 2014
These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity
Big Bend Community College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers 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 Big Bend Community College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in November 1972 and recognized as a tax exempt 501(c)(3) charity in April 1973. The Foundation's charitable purpose is to support the College's efforts to enhance student success and strengthen their communities. The Foundation does not contribute significant resources to the College. Therefore their financial statements are not combined with those of the College.

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

Basis of Accounting
The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

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

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

During the course of operations, numerous transactions occur between funds for goods provided and services rendered. For the financial statements, interfund 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.

Cash, Cash Equivalents and Investments
Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College records all cash, 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, U.S. Treasuries and U.S. Agency securities.

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

Inventories
Inventories, consisting primarily of merchandise for resale in the college bookstore and course-related supplies, are valued at cost using first-in, first-out inventory methods, also known as FIFO.

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at fair market value at the date of the gift. As this is the first institution-level financial statement prepared by the college, 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 15 to 50 years for buildings and improvements, 3 to 50 years for improvements other than buildings, 7 years for library resources and 2 to 10 years for most equipment and 11 to 40 years for heavy duty equipment, aircraft, locomotives and vessels.

In accordance with GASB Statement 42, the college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2014, no assets had been written down.

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

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

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

Operating Revenues. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts.

Non-operating Revenues. This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, pell grant and investment income.

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, 2014 are $3,020,890.

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.

Operating Revenues/Expenses
Operating Revenues consist of tuition and fees, grants and contracts, sales and service of educational activities and auxiliary enterprise revenues. Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation. All other revenue and expenses of the College are reported as nonoperating revenues and expenses including state general appropriations, Federal Pell grant revenues, investment income and interest expense.

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

As of June 30, 2014, the carrying amount of the College's cash and equivalents was $9,045,215 as represented in the table below.

Table 1: Cash and Cash Equivalents	**June 30, 2014**
Petty Cash and Change Funds	$3,111
Bank Demand and Time Deposits	$4,814,399
Local Government Investment Pool	$4,227,705
Total Cash and Cash Equivalents	**$9,045,215**

Investments consist of U.S. Agency Obligations.

Table 2: Investment Maturities	**Fair Value**	**One Year or Less**	**1 - 5 Years**	**6 - 10 Years**	**10 or More Years**
U.S. Agency Obligations	$ 12,464,140	$ 1,035,000	$ 11,429,140		
Total Investments	**$ 12,464,140**	**$ 1,035,000**	**$ 11,429,140**	**$ -**	**$ -**

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

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

Custodial Credit Risk—Investments
Custodial credit risk for investments is the risk that in the event of the failure 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, 2014, the College only has investments at banks which are insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC).

Investment Expenses
Under implementation of GASB 35, investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2014 were $1,108.

3. Accounts Receivable
Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements. At June 30, 2014, accounts receivable were as follows.

Table 3: Accounts Receivable	**Amount**	
Student Tuition and Fees	$	65,072
Due from the Federal Government	$	107,388
Due from Other State Agencies	$	476,583
Auxiliary Enterprises	$	24,350
Interest Receivable	$	84,115
Other	$	346,678
Subtotal	$	1,104,186
Less Allowance for Uncollectible Accounts	$	(3,821)
Accounts Receivable, net	**$**	**1,100,365**

4. Loans Receivable

Loans receivable as of June 30, 2014 consisted primarily of student loans, as follows.

Table 4: Loans Receivable	Amount	
Perkins Student Loans Receivable	$	81,440
Other Loans Receivable	$	-
Subtotal	$	81,440
Less Allowance for Uncollectible Accounts	$	(5,637)
Loans Receivable, net	**$**	**75,803**

5. Inventories

Inventories, stated at cost using the FIFO method, consisted of the following as of June 30, 2014.

Table 5: Inventories	Amount	
Consumable Inventories	$	4,216
Merchandise Inventories	$	276,298
Inventories	**$**	**280,514**

6. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2014 is presented as follows. The current year depreciation expense was $1,056,135.

Table 6: Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	$ 51,700	$ -	$ -	$ 51,700
Construction in progress	0	0	0	0
Total nondepreciable capital assets	51,700	0	0	51,700
Depreciable capital assets				
Buildings	32,660,419	0	(278,412)	32,382,007
Other improvements and infrastructure	966,985	0	(155,785)	811,200
Equipment	7,592,519	243,861	(10,185)	7,826,195
Library resources	1,859,018	2,420	0	1,861,438
Subtotal depreciable capital assets	43,078,941	246,281	(444,382)	42,880,840
Less accumulated depreciation				
Buildings	10,804,328	654,376	(150,014)	11,308,690
Other improvements and infrastructure	895,638	21,442	(146,976)	770,104
Equipment	6,475,280	368,266	(10,188)	6,833,358
Library resources	1,839,043	12,051	0	1,851,094
Total accumulated depreciation	20,014,289	1,056,135	(307,178)	20,763,246
Total depreciable capital assets	23,064,652	(809,854)	(137,204)	22,117,594
Capital assets, net of accumulated depreciation	**$ 23,116,352**	**$ (809,854)**	**$ (137,204)**	**$ 22,169,294**

7. Accounts Payable and Accrued Liabilities

At June 30, 2014, accrued liabilities are the following.

Table 7: Accounts Payable and Accrued Liabilities	Amount	
Amounts Owed to Employees	$	422,013
Accounts Payable	$	569,695
Amounts Held for Others and Retainage	$	103,537
Total	**$**	**1,095,245**

8. Unearned Revenue

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

Table 8: Unearned Revenue	Amount	
Summer Quarter Tuition & Fees	$	276,546
Housing and Other Deposits		-
Total Unearned Revenue	$	276,546

9. Risk Management

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college does not have a liability for unpaid claims, the claims are paid by the Employment Security Department and then the college reimburses them quarterly. 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, 2013 through June 30, 2014, were $40,995. Cash reserves for unemployment compensation for all employees at June 30, 2014, were $96,345.

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.

10. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Depending on an affirmative calendar year vote by all employees in their employment group, during which the period including the fiscal year from July 1, 2013 through June 30, 2014 was affirmative, 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 $561,736 and accrued sick leave totaled $562,858 at June 30, 2014.

11. Notes Payable

In April 2004, the College obtained financing in order to build the GCATEC (Grant County Advanced Technologies Education Center) Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $5,290,000. In March 2013, the College refinanced this COP with OST for the remaining balance of $3,105,000; saving the College about $335,837. Outside sources along with payments from our Bookstore and other auxiliary services assist with the payment of this payable. The interest rate charged is 1.97%.

In September 2013, the College obtained financing in order to install energy efficient upgrades to our outside lighting through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST). The vendor guaranteed saving from the energy improvements are used as the repayment mechanism. The interest rate charged is 3.05%.

The College's debt service requirements for these note agreements for the next five years and thereafter are as follows:

12. Annual Debt Service Requirements

Future debt service requirements at June 30, 2014 are as follows.

Table 9: Annual Debt Service Requirements			
	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2015	255,000	132,750	$ 387,750
2016	260,000	122,700	$ 382,700
2017	280,000	110,000	$ 390,000
2018	290,000	96,150	$ 386,150
2019	300,000	81,650	$ 381,650
2020-2024	1,690,000	215,850	$ 1,905,850
2025-2029	20,000	1,000	$ 21,000
Total	**3,095,000**	**760,100**	**3,855,100**

13. Schedule of Long Term Debt

	Balance outstanding 6/30/13	Additions	Reductions	Balance outstanding 6/30/14	Current portion
Certificates of Participation	3,105,000	195,000	(205,000)	3,095,000	255,000
Compensated Absences	1,063,789	599,572	(538,767)	1,124,594	
Total	**$ 4,168,789**	**$ 794,572**	**$ (743,767)**	**$ 4,219,594**	**$ 255,000**

14. Pension Plans

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) plans are cost sharing multiple employer defined benefit pension plans administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan (SBRP) is a multiple employer defined contribution plan for the faculty and exempt administrative and professional staff of the state's public community and technical colleges. The plan includes supplemental payment, when required. The plan is administered by the State Board for Community and Technical Colleges (SBCTC).

For FY2013-14, the payroll for the College's employees was $3,070,281 for PERS, $427,376 for TRS, and $7,015,447 for SBRP. Total covered payroll was $10,513,104.

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 college as four employees that are in TRS Plan 3.

The college also has three faculty members with pre-existing eligibility who continue to participate in TRS 1 or 2.

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, 2014, 2013, and 2012 are as follows.

Contribution Rates at June 30

	FY2012		FY2013		FY2014	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	7.08%	6.00%	7.21%	6.00%	9.21%
Plan 2	4.64%	7.08%	4.64%	7.21%	4.92%	9.21%
Plan 3	5 - 15%	7.08%	5 - 15%	7.21%	5 - 15%	9.21%
TRS						
Plan 1	6.00%	8.04%	6.00%	8.05%	6.00%	10.39%
Plan 2	4.69%	8.04%	4.69%	8.05%	4.69%	10.39%
Plan 3	5-15%	8.04%	5-15%	8.05%	5-15%	10.39%

Required Contributions

	FY2012		FY2013		FY2014	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$ 21,741	$ 26,053	$ 20,593	$ 25,605	$ 17,366	$ 26,802
Plan 2	$ 92,575	$ 143,747	$ 91,373	$ 141,982	$ 97,368	$ 182,204
Plan 3	$ 63,227	$ 59,448	$ 60,630	$ 59,063	$ 60,179	$ 74,573
TRS						
Plan 1	$ 4,643	$ 6,050	$ 4,681	$ 6,279	$ 4,856	$ 8,108
Plan 2	$ 2,785	$ 4,774	$ 3,371	$ 5,786	$ 3,474	$ 7,275
Plan 3	$ 17,359	$ 19,004	$ 19,826	$ 21,677	$ 20,244	$ 28,164

State Board Retirement Plan

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

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

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

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

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2014 were each $1,163,949.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2014, supplemental benefits were paid by the SBCTC on behalf of the College in the amount of $0. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2014, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $34,186. As of June 30, 2014, the Community and Technical College system accounted for $5,008,355 of the fund balance.

Washington State Deferred Compensation Program

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

Other Post-Employment Benefits

Health care and life insurance programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the statewide health and life insurance programs on a pay-as-you-go basis.

These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employee.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The health care premiums for active employees, which are paid by the agency during the employees' working careers, subsidize the "underpayments" of retirees. An additional factor in the Other Post-Employment Benefits (OPEB) obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit" subsidy). This explicit subsidy is also passed through to state agencies via active employee rates charged to the agency. There is no formal state or College plan that underlies the subsidy of retiree health and life insurance.

The actuary allocated the statewide disclosure information to the community and technical college system level. The SBCTC further allocated these amounts among the colleges. The College's share of the GASB 45 actuarially accrued liability (AAL) is $5,656,069, with an annual required contribution (ARC) of $552,601. The ARC represents the amortization of the liability for fiscal year 2014 plus the current expense for active employees, which is reduced by the current contributions of approximately $(103,974). The College's net OPEB obligation (NOO) at June 30, 2014 was approximately $448,627. This amount is not included in the College's financial statements.

The College paid $1,847,084 for healthcare expenses in 2014, which included its pay-as-you-go portion of the OPEB liability.

15. 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, 2014.

Expenses by Functional Classification		
Instruction	$	7,018,075
Academic Support Services		728,960
Libraries		509,763
Student Services		2,645,856
Institutional Support		2,300,958
Operations and Maintenance of Plant		2,492,688
Scholarships and Other Student Financial Aid		5,442,427
Auxiliary enterprises		3,183,716
Community Education		761,472
Adult Basic Education		936,028
Ancillary Support Services		1,411,731
Depreciation		1,056,315
Total operating expenses	**$**	**28,487,989**

16. Commitments and Contingencies

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

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

The College has commitments of $480,000 for various capital improvement projects that include renovations to the bathrooms in Building 1600 and remodeling of the upstairs of Building 1400.