Office of the Washington State Auditor

Pat McCarthy

Financial Statements Audit Report

Big Bend Community College

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

Published January 24, 2019

Report No. 1023101

Office of the Washington State Auditor
Pat McCarthy

January 24, 2019

Board of Trustees
Big Bend Community College
Moses Lake, Washington

Report on Financial Statements

Please find attached our report on the Big Bend Community 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

TABLE OF CONTENTS

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

Big Bend Community College
July 1, 2017 through June 30, 2018

Board of Trustees
Big Bend Community College
Moses Lake, 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 Big Bend Community 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 December 20, 2018. As discussed in Note 2 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*.

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, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

December 20, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Big Bend Community College
July 1, 2017 through June 30, 2018

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, 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 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, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 2 to the financial statements, in 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 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, 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 December 20, 2018 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

December 20, 2018

FINANCIAL SECTION

Big Bend Community College
July 1, 2017 through June 30, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018
Statement of Revenues, Expenses and Changes in Net Position – 2018
Statement of Cash Flows – 2018
Notes to the Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Big Bend Community College's Proportionate Share of the Net Pension Liability – (PERS 1, PERS 2/3, TRS 1, TRS 2/3) – 2018
Schedules of Contributions – (PERS 1, PERS 2/3, TRS 1, TRS 2/3) – 2018
Schedule of Changes in Total Pension Liability and Related Ratios – State Board Supplemental Defined Benefit Plans – 2018
Schedule of Changes in Total OPEB Liability and Related Ratios – 2018

Management's Discussion and Analysis

Big Bend Community College

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, 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

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 3,943 students. The College confers associates degrees, certificates and high school diplomas. The College was established in 1962 and its primary purpose is to deliver lifelong learning through a commitment to student success, excellence in teaching and learning, and community engagement.

The College's main campus is located in Moses Lake, Washington, a community of about 23,000 residents. The College is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The College's financial statements include the 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 $10,460,716.

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 30, 2018

	2018	2017
Assets		
Current Assets	$ 14,574,377	$ 8,458,511
Capital Assets, net	$ 27,418,377	$ 24,578,213
Other Assets, non-current	$ 11,804,451	$ 18,034,534
Total Assets	$ 53,797,205	$ 51,071,258
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	$ 652,504	$ 805,394
Deferred Outflows Related to OPEB	$ 295,730	$ -
Total Deferred Outflows	$ 948,234	$ 805,394
Liabilities		
Current Liabilities	$ 3,877,736	$ 2,272,179
Other Liabilities, non-current	$ 15,879,127	$ 7,736,095
Total Liabilities	$ 19,756,864	$ 10,008,274
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	$ 949,034	$ 483,321
Deferred Inflows Related to OPEB	$ 1,384,840	$ -
Total Deferred Inflows	$ 2,333,874	$ 483,321
Net Position		
Net Investment in Capital Assets	$ 25,408,376	$ 22,278,213
Restricted	$ -	$ 340,525
Unrestricted	$ 7,246,325	$ 18,766,319
Total Net Position, as restated	$ 32,654,702	$ 41,385,057

Current assets consist primarily of cash, short-term investments, various accounts receivables and inventories. The significant increase of current assets in FY 2018 can be attributed to the combination of an increase in cash and cash equivalents, short-term investments and a large receivable from the state for work completed on our construction project prior to year end.

Net capital assets increased by $2,840,164 from FY 2017 to FY 2018. After taking into consideration current depreciation expense of $1,277,971, the increase is primarily the result of our construction in progress of the Workforce Education Center (WEC) project and the ongoing acquisitions of capitalizable equipment.

Non-current assets consist primarily of the long-term portion of certain investments and student loans receivable. A decrease has occurred from the result of moving long-term investments to short-term investments to fulfill our construction obligation and the liquidation of our Perkins program.

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 increase in deferred outflows reflect the College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded $805,394 in FY 2017 and $948,234 in FY 2018 of pension and postemployment-related deferred outflows. The increase reflects the change in proportionate share.

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 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 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, which is the reason for the increase in FY 2018.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees, the long-term portion of Certificates of Participation debt, and the College's share of the net pension liability. The College's non-current liabilities increased due to the implementation of GASB Statement No. 75, reflecting the College's proportionate share of the postemployment benefit liability for the 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 above.

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 spending 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. Changes in student loan balances are discussed above.

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 $10,460,716 due to the implementation of GASB Statement No. 75.

Net Position As of June 30th	**FY 2018**	**FY 2017**
Net investment in capital assets	$25,408,376	$22,278,213
Restricted - Expendable (Student Loans)	$0	$340,525
Unrestricted	$7,246,325	$18,766,319
Total Net Position	**$32,654,702**	**$41,385,057**

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, expenses 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	5,173,365	4,787,970
Auxiliary enterprise sales	1,476,941	1,679,055
State and local grants and contracts	6,296,411	6,837,347
Federal grants and contracts	2,961,023	2,773,213
Other operating revenues	387,898	293,533
Total operating revenues	**16,295,639**	**16,371,118**
Operating Expenses		
Salaries and wages	13,890,669	13,131,261
Benefits	5,009,727	4,202,244
Other operating expenses	3,608,082	5,130,590
Scholarships, net of discounts	4,401,039	4,052,983
Supplies and Material	1,677,268	1,991,001
Depreciation	1,277,971	1,219,053
Purchased Services	813,788	886,652
Utilities	631,771	638,311
Total operating expenses	**31,310,316**	**31,252,095**
Operating Income (Loss)	**(15,014,677)**	**(14,880,977)**
Non-Operating Revenues (Expenses)		
State appropriations	10,976,543	11,044,607
Federal Pell grant revenue	3,642,407	3,645,251
Investment income, gains and losses	181,576	157,537
Other non-operating revenues (expenses)	(789,523)	(820,719)
Net non-operating revenues (expenses)	**14,011,004**	**14,026,676**
Income or (loss) before capital contributions	**(1,003,673)**	(854,301)
Capital appropriations and contributions	**2,734,033**	2,834,861
Change in Net position	**1,730,360**	**1,980,560**
Net Position		
Net position, beginning of year	41,385,057	41,024,669
Cumulative effect of change in accounting principle (GASB 75)	(10,460,716)	(1,620,172)
Net position, beginning of year, as restated	30,924,341	39,404,497
Net position, end of year	**32,654,702**	**41,385,057**

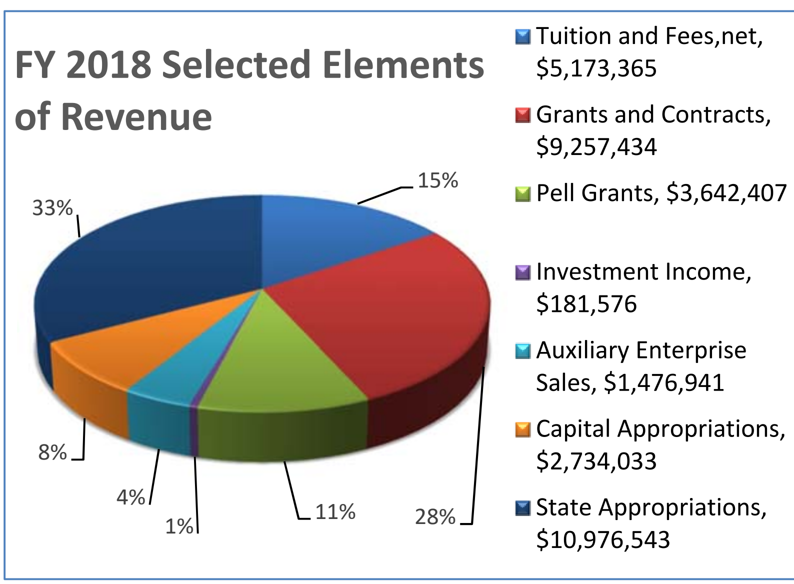
Revenues

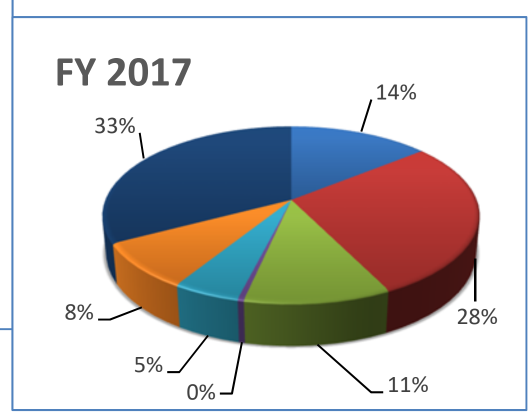
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the 34 college's based on 3 year average FTE actuals. Additionally, the Supplemental Budget also reduces the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation will continue in FY 2019.

Since enrollments slightly decreased in FY 2018, the College's increase in tuition and fee revenue is primarily attributable to offering less scholarship allowances and tuition discounts. There was also a slight increase in the tuition rate for FY 2018. Pell grant revenues generally follow enrollment trends. As the College's enrollment softened slightly during FY 2018, so did the College's Pell Grant revenue.

In FY 2018, grant and contract revenues decreased by $353,126 when compared with FY 2017. The overall decrease is due to the re-categorizing of our Aircraft Rescue and Fire Fighting (ARFF) program. In FY 2017, the program was recognized as grant and contract revenue through the billing of area airports but in FY 2018, the program was switched to charges being assessed to individual students, which is recorded as operating revenue.

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





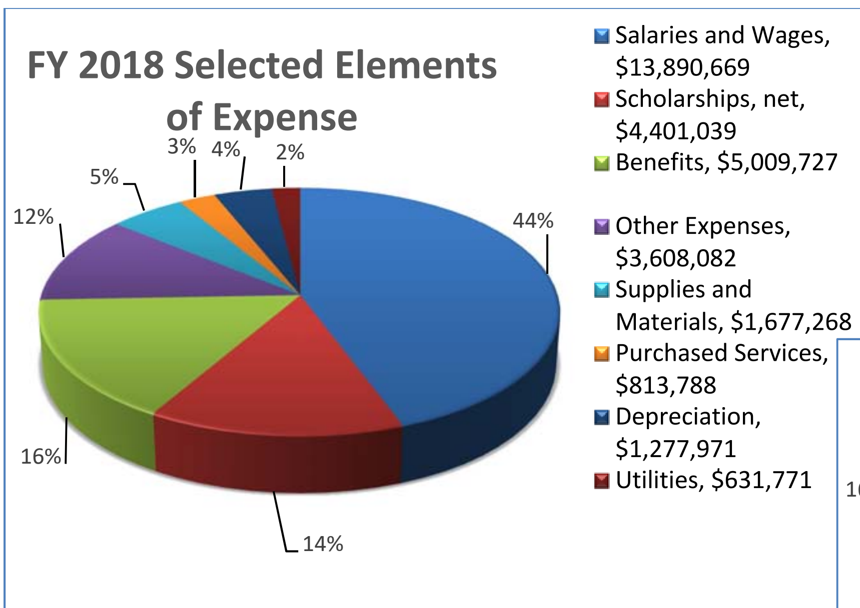
Expenses

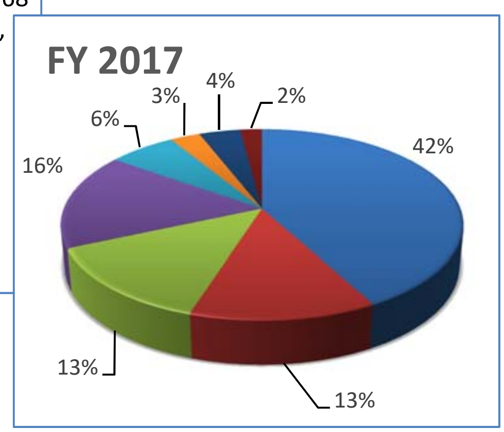
Faced with severe budget cuts over the past eight years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions.

More recently, in FY 2018, salary costs increased by $759,408 as a result of a little over 2 percent average salary increase by the Legislature. Benefits, as well, increased by $807,483. This increase is due to an increase in healthcare, retirement costs, and the large addition of pension related to GASB Statement No. 73 and 75 reporting.

Utility costs have decreased slightly as a result of better monitoring. Scholarships and fellowships saw an increase due to more eligible students for state grant funding. Supplies and materials and purchased services are lower in FY 2018, primarily as a result of a conscious effort to reduce unnecessary spending and searching for better deals. These expenditures have anticipated fluctuations from year to year. An increase in equipment has resulted in a slight increase in depreciation.

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
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, 2018, the College had invested $27,418,377 in capital assets, net of accumulated depreciation. This represents an increase of $2,840,164 from last year, as shown in the table below.

Asset Type	**June 30, 2018**	**June 30, 2017**	**Change**
Land	$ 51,700	$ 51,700	$ -
Construction in Progress	3,630,589	1,665,100	1,965,489
Buildings, net	20,155,915	20,759,352	(603,437)
Other Improvements and Infrastructure, net	638,627	675,140	(36,513)
Equipment, net	2,895,061	1,389,081	1,505,980
Library Resources, net	46,485	37,840	8,645
Total Capital Assets, Net	**$ 27,418,377**	**$ 24,578,213**	**$ 2,840,164**

The increase in net capital assets can be attributed to the completion of the new railings in the 2000 building for safety, the construction phase of our WEC building project beginning and the acquisition of equipment, which included three planes this year. 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 $1,710,000 in outstanding debt. The College has two Certificate of Participation (COP), one for the Grant County Advanced Technologies Education Center (GCATEC) building and the other for an energy efficiency project for outside lighting.

	June 30, 2018	**June 30, 2017**	**Change**
Certificates of Participation	$1,710,000	$2,010,000	(300,000)
Total	**$1,710,000**	**$2,010,000**	**(300,000)**

Additional information of notes payable, long-term debt and debt service schedules can be found in Notes 11 and 12 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

Following a trend that began in FY 2009, the College's state operating appropriations have continued to decrease through FY 2015. Beginning FY 2016, the Legislature enacted the Affordable Education Act, which reduced tuition rates by 5 percent at the College. This will further reduce the amount of tuition collected by the College. The Legislature did however backfill this loss. In FY 2017, the State Board for Community and Technical College's has elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Due to a decrease in enrollment, it is estimated that the College will likely see a decrease in state operating appropriations in the future year.

The College continues to exercise fiscal caution in its overall spending and budgeting. By using the aviation student fee account, we were able to increase our fleet by three planes this fiscal year. In fall of 2016, the College began the design work on its WEC and Aviation Maintenance Technology buildings and the construction phase of these buildings began May 2018.

It is unclear how much opportunity there may be for additional investments in community and technical colleges in the next few years, as state budget writers continue to grapple with court-mandated basic education obligations such as the McCleary Act and regional pay legislation. As the result of a recent study that indicted that the community and technical college system was behind 12 percent in salary funding, we are going to the legislators with one of our healthiest requests to date.

Big Bend Community College

Statement of Net Position

June 30, 2018

Assets	
Current assets	
Cash and cash equivalents	$ 5,099,643
Short-term investments	6,567,000
Accounts Receivable, net	2,448,597
Student Loans Receivable, net	-
Interest Receivable	182,782
Inventories	265,901
Prepaid Expenses	10,455
Total current assets	**14,574,377**
Non-Current Assets	
Long-term investments	11,804,452
Student Loans Receivable	-
Non-depreciable capital assets	3,682,289
Capital assets, net of depreciation	23,736,088
Total non-current assets	39,222,828
Total assets	**53,797,205**
Deferred Outflows of Resources	
Deferred outflows related to pensions	652,504
Deferred outflows related to OPEB	295,730
Total deferred outflow of resources	948,234
Liabilities	
Current Liabilities	
Accounts Payable	1,196,785
Accrued Liabilities	778,622
Compensated Absences, short term	223,723
Deposits Payable	74,145
Unearned Revenue	295,260
Certificates of Participation Payable	300,000
Total pension liability, short term	21,911
OPEB liability, short term	987,290
Total current liabilities	**3,877,736**
Noncurrent Liabilities	
Compensated Absences	1,176,871
Long-term liabilities	1,710,000
Net pension liability	2,747,575
Total pension liability	1,174,342
OPEB liability	9,070,339
Total non-current liabilities	15,879,127
Total liabilities	**19,756,864**
Deferred Inflows of Resources	
Deferred inflows related to pensions	949,034
Deferred inflows related to OPEB	1,384,840
Total liabilites and deferred inflow of resources	2,333,874
Net Position	
Net Investment in Capital Assets	25,408,376
Unrestricted	7,246,325
Total Net Position	**$ 32,654,702**

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, 2018

Operating Revenues	
Student tuition and fees, net	$ 5,173,365
Auxiliary enterprise sales	1,476,941
State and local grants and contracts	6,296,411
Federal grants and contracts	2,961,023
Other operating revenues	387,898
Total operating revenue	16,295,639
Operating Expenses	
Salaries and wages	13,890,669
Benefits	5,009,727
Scholarships and fellowships	4,401,039
Supplies and materials	1,677,268
Depreciation	1,277,971
Other Expenses	1,668,845
Purchased services	813,788
Repairs, Alterations, and Maintenance	661,909
Utilities	631,771
Noncapitalized assets	624,553
Vehicle maintenance and aircraft fuel	327,633
Employee professional development and training	325,142
Total operating expenses	31,310,315
Operating income (loss)	(15,014,677)
Non-Operating Revenues (Expenses)	
State appropriations	10,976,543
Federal Pell grant revenue	3,642,407
Investment income, gains and losses	181,576
Building fee remittance	(564,262)
Innovation fund remittance	(129,110)
Interest on indebtedness	(96,150)
Net non-operating revenues	**14,011,004**
Income or (loss) before capital appropriations	(1,003,673)
Capital appropriations	2,734,033
Increase (Decrease) in net position	1,730,361
Net Position	
Net position, beginning of year	41,385,057
Cumulative effect of change in accounting principle	(10,460,716)
Adjusted Net position, beginning of year	30,924,341
Net position, end of year	$ 32,654,702

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, 2018

Cash flow from operating activities	
Student tuition and fees	5,166,043
Grants and contracts	9,209,084
Payments to vendors	(5,520,947)
Payments for utilities	(594,084)
Payments to employees	(13,649,049)
Payments for benefits	(4,594,109)
Auxiliary enterprise sales	1,492,820
Payments for scholarships and fellowships	(4,401,039)
Loans issued to students and employees	135,204
Collection of loans to students and employees	786
Other receipts	404,360
Other payments	(281,433)
Net cash used by operating activities	(12,632,364)
Cash flow from noncapital financing activities	
State appropriations	10,909,356
Pell grants	3,642,407
Building fee remittance	(564,183)
Innovation fund remittance	(129,078)
Net cash provided by noncapital financing activities	13,858,503
Cash flow from capital and related financing activities	
Capital appropriations	2,128,614
Purchases of capital assets	(4,091,665)
Principal paid on capital debt	(290,000)
Interest paid	(96,150)
Net cash used by capital and related financing activities	(2,349,201)
Cash flow from investing activities	
Purchase of investments	2,541,140
Income on investments	181,576
Net cash provided by investing activities	2,722,716
Increase in cash and cash equivalents	1,599,653
Cash and cash equivalents at the beginning of the year	3,499,990
Cash and cash equivalents at the end of the year	5,099,643

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	(15,014,677)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	1,277,971
Changes in assets and liabilities	
Receivables , net	(300,016)
Inventories	(22,677)
Other assets	5,658
Accounts payable	891,829
Accrued liabilities	(331,893)
Deferred revenue	(16,175)
Compensated absences	316,160
Pension/OPED liability adjustment	414,662
Deposits payable	11,004
Loans to students and employees	135,789
Net cash used by operating activities	(12,632,364)

The accompanying notes are an integral part of the financial statements

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
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 (CAFR).

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, 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 amortized cost, which approximates 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 equivalent, 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 method, 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.

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. 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 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

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, 2018, no assets had been written down.

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

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

Net 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 Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68 (Accounting and Financial Reporting for Pensions). The reporting requirements are similar to GASB Statement No. 68 but use current fiscal year end as the measurement date for reporting the pension liabilities.

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.

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

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources and then towards restricted resources.

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 colleges. Examples include a contract with Office of Superintendent of Public Instruction (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 and wages, benefits, scholarships and fellowships, supplies and materials, depreciation, purchased services, repairs, alterations, and maintenance, utilities, noncapitalized assets, vehicle maintenance and aircraft fuel, employee professional development and training.

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 $2,817,801.

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

Building and Innovation Fee Remittance
Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature and is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The 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 is required 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 16.

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 $10,460,716 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 address 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 date 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 bank demand deposits, petty cash held at the College and unit shares in the Local Government Investment Pool (LGIP). Investments of surplus or pooled cash balances are reported on the accompanying Statements of Net Position, Balance Sheets, and Statements of Cash Flows as "Cash and Pooled Investments." The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at fair value or amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates. For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

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

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, Washington 98504-0200, or online at: https://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/. In addition, more information is available regarding the LGIP in the Washington State Consolidated Annual Financial report, which can be found online at https://ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report.

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

As of June 30, 2018, the carrying amount of the College's cash and equivalents was $5,099,643 as represented in the table below.

Cash and Cash Equivalents		**June 30, 2018**
Petty Cash and Change Funds	$	2,911
Bank Demand and Time Deposits		3,247,064
Local Government Investment Pool		1,849,668
Total Cash and Cash Equivalents	**$**	**5,099,643**

Custodial Credit Risks—Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The majority of the College's demand deposits are with the 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).

Investments
Fair Value Hierarchy
Fair value measurement determination is based on the assumptions that market participants would use in pricing the asset. Fair value is described as an exit price. 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 measurement. The fair value hierarchy prioritizes the inputs discussed above as follows:

> *Level 1 inputs (quoted market prices)* – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date (for example prices derived from HYSE, NASDAQ, and the Chicago Board of Trade). Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment. If a level 1 input is available for a particular investment, it must be used to value that investment.
>
> *Level 2 inputs (observable inputs)* – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed on market data obtained from sources independent of the College (e.g. matrix pricing, yield curves, and indices).
>
> *Level 3 inputs (unobservable inputs)* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Unobservable inputs 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 circumstance (e.g. investment manager pricing for private placements, private equities, and hedge funds).

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

College Investment by Type
Investments are classified as cash equivalents and short-term or long-term investments. The carrying amount of College invested assets includes cash equivalents and long-term investments as represented below.

Investment Maturities	Fair Value	0 - 90 days	One Year or Less	1 - 5 Years
Cash Equivalents				
Local Government Investment Pool	1,849,668	1,849,668	-	-
U.S. Agency Securities	1,000,000	1,000,000	-	-
Long-term Investments				
U.S. Agency Securities	18,371,452	-	6,567,000	11,804,452
Total Investments	**21,221,120**		**6,567,000**	**11,804,452**

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 from 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, 2018, the College did not have any investments subject to custodial credit risk. All investments held by US Bank Safekeeping are in the name of the College.

Investment Expenses
Under implementation of GASB Statement No. 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 $190.

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 receivable were as follows:

Accounts Receivable		Amount
Student Tuition and Fees	$	84,692
Due from the Federal Government		126,857
Due from the Office of the State Treasurer		1,547,517
Due from Other State Agencies		649,310
Auxiliary Enterprises		34,192
Interest Receivable		182,782
Other		6,059
Subtotal		2,631,409
Less Allowance for Uncollectible Accounts		(30)
Accounts Receivable, net	**$**	**2,631,379**

Note 5 – Inventories

Inventories, stated at cost using FIFO, consisted of the following as of June 30, 2018.

Inventories		Amount
Consumable Inventories	$	2,447
Merchandise Inventories		263,454
Inventories	**$**	**265,901**

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 $1,277,971.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	$ 51,700	$ -	$ -	$ 51,700
Construction in progress	1,665,100	1,965,489	-	3,630,589
Total capital assets, non-depreciable	1,716,800	1,965,489	-	3,682,289
Capital assets, depreciable				
Buildings	34,129,996	129,781	-	34,259,777
Other improvements and infrastructure	1,541,461	-	-	1,541,461
Equipment	9,360,211	2,031,942	(87,519)	11,304,634
Library resources	1,613,561	13,765	(3,725)	1,623,601
Total capital assets, depreciable	46,645,229	2,175,488	(91,244)	48,729,473
Less accumulated depreciation				
Buildings	13,370,644	733,218	-	14,103,862
Other improvements and infrastructure	866,321	36,513	-	902,834
Equipment	7,971,130	503,121	(64,678)	8,409,573
Library resources	1,575,721	5,119	(3,724)	1,577,116
Total accumulated depreciation	23,783,816	1,277,971	(68,402)	24,993,385
Total capital assets, depreciable, net	22,861,413	897,517	(22,842)	23,736,088
Capital assets, net	**$ 24,578,213**	**$ 2,863,006**	**$ (22,842)**	**$ 27,418,377**

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	$ 451,581
Accounts Payable	1,196,785
Amounts Held for Others and Retainage	327,041
Total	**$ 1,975,407**

Note 8 - Unearned Revenue

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

Unearned Revenue		Amount
Summer and Fall Quarter Tuition & Fees	$	295,260
Housing and Other Deposits		74,145
Total Unearned Revenue	$	369,405

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 four 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 five years.

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. Payments made for claims from July 1, 2017 through June 30, 2018, were $44,408.

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 percent 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 $603,329, and accrued sick leave totaled $573,542 at June 30, 2018. The College calculated accrued vacation and sick leave balances for staff retirements for the upcoming fiscal year at $223,723 as a short-term current liability. Accrued annual and sick leave are categorized as non-current liabilities.

Note 11 - Notes Payable

In April 2004, the College obtained financing in order to build the Grant County Advanced Technologies Education Center (GCATEC) 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 percent.

In September 2013, the College obtained financing in order to install energy efficient upgrades to our outside lighting through a COP. The vendor guaranteed saving from the energy improvements are used as the repayment mechanism. The original amount of the debt is for $195,000 and the interest rate charged is 3.05 percent.

The College's debt service requirements for these note agreements for the next five years and thereafter are as follows in Note 12.

Note 12 - Annual Debt Service Requirements

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

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2019	$ 300,000	$ 81,650	$ 381,650
2020	315,000	69,500	384,500
2021	320,000	56,750	376,750
2022	340,000	43,800	383,800
2023	350,000	30,000	380,000
2024-2025	385,000	16,800	401,800
Total	**$ 2,010,000**	**$ 298,500**	**$ 2,308,500**

Note 13 - Schedule of Long Term Liabilities

	Balance outstanding 6/30/17	Additions	Reductions	Balance outstanding 6/30/18	Current portion
Certificates of Participation	$ 2,300,000	$ -	$ 290,000	$ 2,010,000	$ 300,000
Compensation absences	1,084,434	961,458	645,298	1,400,594	223,723
Net pension liability	3,532,445	-	784,870	2,747,575	-
Total pension liability	1,301,345	-	105,092	1,196,253	21,911
OPEB liability	-	10,057,629	-	10,057,629	987,290
Total	**$ 8,218,224**	**$11,019,087**	**$ 1,825,260**	**$ 17,412,051**	**$1,532,924**

Note 14 - Pension Liability

Pension liabilities reported as of June 30, 2018 consists of the following:

Pension Liability by Plan

PERS 1	$	1,378,778
PERS 2/3		1,113,375
TRS 1		200,443
TRS 2/3		54,980
SBRP		1,196,253
Total	**$**	**3,943,828**

Note 15 - 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 (TPL) 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	$	3,477,461
TRS		371,521
SBRP		8,121,098
Total Covered Payroll	**$**	**11,970,080**

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 GASB 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 Big Bend Community College, for fiscal year 2018:

Aggregate Pension Amounts - All Plans

Pension Liabilities	$	3,943,828
Deferred outflows of resources related to pensions	$	652,504
Deferred inflows of resources related to pensions	$	949,034
Pension Expense	$	217,847

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 college also has 2 part-time 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 percent 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%	10.39 -13.13%	6.00%	13.13%	6.00%	15.20%
Plan 2	4.96 -5.95%	10.39 -13.13%	5.95%	13.13%	7.06%	15.20%
Plan 3	5-15%	10.39 -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	$ 14,477	$ 26,975	$ 13,597	$ 24,929	$ 13,720	$ 28,487
Plan 2	$ 129,624	$ 236,798	$ 137,760	$ 247,605	$ 177,412	$ 301,579
Plan 3	$ 59,484	$ 103,493	$ 54,811	$ 97,977	$ 54,556	$ 103,095
TRS						
Plan 1	$ 2,199	$ 4,467	$ 1,322	$ 2,854	$ 1,738	$ 4,351
Plan 2	$ 1,627	$ 3,552	$ 1,297	$ 2,823	$ 2,180	$ 4,661
Plan 3	$ 15,801	$ 25,643	$ 26,114	$ 39,470	$ 28,097	$ 45,944

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 expenses are as follows:

Pension Plan	Rate of Return
PERS Plan 1	13.84%
PERS Plan 2/3	14.11%
TRS Plan 1	14.45%
TRS Plan 2/3	14.10%

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%
Global 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	**$ 86,063**	**$154,814**	**$ 12,887**	**$ 19,767**	**$ 273,531**
Amortization of change in proportionate share of liability	**(52,353)**	**(14,306)**	**13,587**	**(5,607)**	**(58,678)**
Total Pension Expense	**$ 33,711**	**$140,508**	**$ 26,474**	**$ 14,160**	**$ 214,853**

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:

	2017	2016	Change
PERS 1	0.029057%	0.030057%	-0.00100%
PERS 2/3	0.032044%	0.032541%	-0.00050%
TRS 1	0.006630%	0.006219%	0.00041%
TRS 2/3	0.005957%	0.004915%	0.00104%

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

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 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout 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 net 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	$ 1,679,614	$ 1,378,777	$ 1,118,188
PERS 2/3	$ 2,999,551	$ 1,113,376	$ (432,065)
TRS 1	$ 249,246	$ 200,443	$ 158,200
TRS 2/3	$ 186,731	$ 54,980	$ (52,027)

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	-	51,452
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities		-
Contributions subsequent to the measurement date	193,373	-
Totals	**$ 193,373**	**$ 51,452**

	PERS 2/3	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	112,811	36,617
Difference between expected and actual earnings of pension plan investments	-	296,799
Changes of assumptions	11,826	-
Changes in College's proportionate share of pension liabilities	10,673	30,005
Contributions subsequent to the measurement date	243,780	-
Totals	**$ 379,091**	**$ 363,422**

	TRS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	8,492
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	28,908	-
Totals	**$ 28,908**	**$ 8,492**

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	13,710	2,805
Difference between expected and actual earnings of pension plan investments	-	19,897
Changes of assumptions	648	-
Changes in College's proportionate share of pension liabilities	10,248	19,157
Contributions subsequent to the measurement date	23,148	-
Totals	**$ 47,753**	**$ 41,859**

The total amount reported of $649,125 as deferred outflows of resources represent contributions the College made, but only $489,209 is for contributions 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	(34,778)	(126,430)	(6,237)	(13,402)
2020	10,980	31,940	2,335	(2,104)
2021	(2,549)	(27,736)	(208)	(4,509)
2022	(25,104)	(122,277)	(4,382)	(7,897)
2023	-	7,127	-	2,221
Thereafter		9,265	-	8,440
Total Net Deferred (Inflows)/Outflows	**$ (51,452)**	**$ (228,111)**	**$ (8,492)**	**$ (17,252)**

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 plan 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. Big Bend Community 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 percent of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2018 were $668,923 for both employer and employee.

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 College in the amount of $1,300,000. The College's share of this amount was $17,840. 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 FY 2018, the College paid into this fund at a rate of 0.5 percent of covered salaries, totaling $40,599. 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 State Board Supplemental Retirement Plans.

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

Discount Rate. The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.58 percent for the June 30, 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 (%)		**1.3723%**
Service Cost	$	52,517
Interest Cost		48,263
Amoritzation of Differences Between Expected and Acutal Experience		(63,591)
Amortization of Changes of Assumptions		(16,838)
Changes of Benefit Terms		-
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		**20,351**
Amortization of the Change in Proportionate Share of TPL		483
Total Pension Expense	**$**	**20,834**

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for fiscal year ending June 30, 2018 was 1.37 percent. 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:

Proportionate Share (%) 2017	**1.3691%**
Proportionate Share (%) 2018	**1.3723%**

Total Pension Liaility - Ending 2017	$	1,301,345
Total Pension Liability -Beginning 2018		1,304,349
Total Pension Liability - Change in Proportion		3,003
Total Deferred Inflow/Outflows - 2017		372,345
Total Deferred Inflow/Outflows - 2018		373,204
Total Deferred Inflows/Outflows - Change in Proportion		859
Total Pension Liability - Ending	**$**	**3,862**

Plan Membership. Membership of the State Board Supplemental Retirement Plans consisted of the following at June 30, 2016, the most recent actuarial valuating 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	18	0	72	72

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

Change in Total Pension Liability

Total Pension Liability		**Amount**
Service cost	$	52,517
Interest		48,263
Changes of benefit terms		-
Differences between expected and actual experience		(142,744)
Changes of assumptions		(48,290)
Benefit payments		(17,840)
Change in Proportionate Share of TPL		3,003
Other		-
Net Change in Total Pension Liability		(105,091)
Total Pension Liability - Beginning		1,301,345
Total Pension Liability - Ending	**$**	**1,196,254**

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 percent point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
$ 1,364,450	$ 1,196,275	$ 1,056,396

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the State Board Supplemental Retirement Plans 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	$ -	$ 381,095
Changes of assumptions	-	102,715
Changes in College's proportionate share of pension liability	3,379	
Transactions subsequent to the measurement date	-	-
Total	**$ 3,379**	**$ 483,810**

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	(79,946)
2020	(79,946)
2021	(79,946)
2022	(79,946)
2023	(79,946)
Thereafter	(80,699)
	(480,430)

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 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 to Note 15.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 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 nor do they contribute to the program, only the employee contributes.

Note 16 - 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 15, 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.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

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 $10,057,629. 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 (OSA) applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning 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 Statement No. 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:

Big Bend Community College

Proportionate Share (%)		**0.1726387797%**
Service Cost	$	681,846
Interest Cost		319,381
Differences Between Expected and Actual Experience		-
Changes in Assumptions*		(1,557,945)
Changes of Benefit Terms		-
Benefit Payments		(162,762)
Changes in Proportionate Share		155,988
Other		-
Net Change in Total OPEB Liability		(563,492)
Total OPEB Liability - Beginning		10,621,121
Total OPEB Liability - Ending	**$**	**10,057,629**

*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
$ 12,271,549	$ 10,057,629	$ 8,344,410

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

1% Decrease	Current Discount Rate	1% Increase
$ 8,125,180	$ 10,057,629	$ 12,651,148

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 $845,192. OPEB expense consists of the following elements:

Big Bend Community College

Proportionate Share (%)	**0.1726387797%**
Service Cost	$ 681,846
Interest Cost	319,381
Amortization of Differences Between Expected and Actual Experience	-
Amortization of Changes in Assumptions	(173,105)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	17,070
Administrative Expenses	-
Total OPEB Expense	**$ 845,192**

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

Big Bend Community College		
Proportionate Share (%)	**0.1726387797%**	
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience	$ -	$ -
Changes in assumptions	1,384,840	-
Transactions subsequent to the measurement date	-	159,168
Changes in proportion	-	136,562
Total Deferred Inflows/Outflows	**$ 1,384,840**	**$ 295,730**

Amounts reported as deferred outflows 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 (%)		**0.1726387797%**
2019	$	(156,035)
2020	$	(156,035)
2021	$	(156,035)
2022	$	(156,035)
2023	$	(156,035)
Thereafter	$	(468,103)

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		**0.1701400128%**
Proportionate Share (%) 2017		**0.1726387797%**
Total OPEB Liability - Ending 2016	$	10,621,121
Total OPEB Liability - Beginning 2017		10,777,109
Total OPEB Liability Change in Proportion		155,988
Total Deferred Inflows/Outflows - 2016		160,406
Total Deferred Inflows/Outflows - 2017		162,762
Total Deferred Inflows/Outflows Change in Proportion		2,356
Total Change in Proportion	**$**	**153,632**

Note 17 - 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, institutional, and academic support. The following table lists operating expenses by program for the year ending June 30, 2018.

Expenses by Functional Classification		
Instruction	$	9,456,862
Academic Support Services		1,314,971
Student Services		1,846,387
Institutional Support		3,844,836
Operations and Maintenance of Plant		2,836,270
Scholarships and Other Student Financial Aid		4,401,039
Auxiliary Enterprises		2,135,856
Library		578,276
Ancillary Support Services		3,617,848
Depreciation		1,277,971
Total operating expenses	**$**	**31,310,316**

Note 18 - 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. Therefore, an estimated liability has not been recorded.

In September 2016, the SBCTC gave the College approval of $6,000,000 of local capital expenditure for the completion of the second floor of our WEC and AMT capital building project in resolution 16-09-40. In June 2018, resolution 18-06-23 was also approved by the SBCTC in the amount of $3,616,000 for the same project. As of June 30, 2018, the outstanding commitment toward the construction of our capital project is $9,001,963.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Big Bend Community College College's Proportionate Share of the Net Pension Liability

Schedule of Big Bend Community 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	0.031105%	$ 1,566,929	$ 3,070,117	51.04%	61.19%
2015	0.030442%	$ 1,592,400	$ 3,129,290	50.89%	59.10%
2016	0.030057%	$ 1,614,202	$ 3,275,409	49.28%	57.03%
2017	0.029057%	$ 1,378,777	$ 3,368,297	40.93%	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 Big Bend Community College's Proportionate Share of the Net Pension Liability

Schedule of Big Bend Community 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	0.032470%	$ 656,336	$ 2,779,497	23.61%	93.29%
2015	0.032049%	$ 1,145,129	$ 2,845,181	40.25%	89.20%
2016	0.032541%	$ 1,638,414	$ 3,032,959	54.02%	85.82%
2017	0.032044%	$ 1,113,376	$ 3,141,670	35.44%	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 Big Bend Community College's Proportionate Share of the Net Pension Liability

Schedule of Big Bend Community 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	0.011501%	$ 339,217	$ 427,282	79.39%	68.77%
2015	0.009760%	$ 309,337	$ 384,287	80.50%	65.70%
2016	0.006219%	$ 212,331	$ 278,635	76.20%	62.07%
2017	0.006630%	$ 200,443	$ 348,631	57.49%	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 Big Bend Community College's Proportionate Share of the Net Pension Liability

Schedule of Big Bend Community College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.008091%	$ 26,133	$ 346,410	7.54%	96.81%
2015	0.006543%	$ 55,210	$ 305,941	18.05%	92.48%
2016	0.004915%	$ 67,498	$ 239,543	28.18%	88.72%
2017	0.005957%	$ 54,980	$ 326,592	16.83%	93.14%
2018					
2019					
2020					
2021					
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions

Public Emplyees' 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	$ 137,683	$ 137,683	$ -	$ 3,070,117	4.48%
2015	$ 139,914	$ 139,914	$ -	$ 3,129,290	4.47%
2016	$ 170,448	$ 170,448	$ -	$ 3,275,409	5.20%
2017	$ 174,788	$ 174,788	$ -	$ 3,368,297	5.19%
2018	$ 191,546	$ 191,546	$ -	$ 3,477,461	5.51%
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	$ 137,166	$ 137,166	$ -	$ 2,779,497	4.93%
2015	$ 142,763	$ 142,763	$ -	$ 2,845,181	5.02%
2016	$ 187,859	$ 187,859	$ -	$ 3,032,959	6.19%
2017	$ 195,723	$ 195,723	$ -	$ 3,141,670	6.23%
2018	$ 241,614	$ 241,614	$ -	$ 3,248,801	7.44%
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	$ 22,743	$ 22,743	$ -	$ 427,282	5.32%
2015	$ 21,848	$ 21,848	$ -	$ 384,287	5.69%
2016	$ 15,232	$ 15,232	$ -	$ 278,635	5.47%
2017	$ 23,201	$ 23,201	$ -	$ 348,631	6.65%
2018	$ 28,588	$ 28,588	$ -	$ 371,521	7.69%
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	$ 19,854	$ 19,854	$ -	$ 346,410	5.73%
2015	$ 17,387	$ 17,387	$ -	$ 305,941	5.68%
2016	$ 19,711	$ 19,711	$ -	$ 239,543	8.23%
2017	$ 21,947	$ 21,947	$ -	$ 326,592	6.72%
2018	$ 26,368	$ 26,368	$ -	$ 342,555	7.70%
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 Big Bend Community College Fiscal Year Ended June 30 *(expressed in thousands)*		
	2017	2018
Total Pension Liability		
Service Cost	$ 74	$ 53
Interest	48	48
Changes of benefit terms	-	-
Differences between expected and actual experience	(347)	(143)
Changes of assumptions	(82)	(48)
Benefit Payments	(12)	(18)
Change in proportionate share of TPL	-	3
Other	-	-
Net Change in Total Pension Liability	**(319)**	**(105)**
Total Pension Liability - Beginning	**1,620**	**1,301**
Total Pension Liability - Ending	**$ 1,301**	**$ 1,196**
College's proportion of the Pension Liability	1.3691%	1.3723%
Covered-employee payroll	$7,836,697	$8,121,098
Total Pension Liability as a percentage of covered-employee payroll	16.6014%	14.7271%

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

Required Supplementary Information
Other Postemployment Benefits Information

Schedule of Changes in Total OPEB Liability and Related Ratios Fiscal Year Ended June 30		
Total OPEB Liability		**2018**
Service cost	$	681,846
Interest cost		319,381
Difference between expected and actual experience		-
Changes in assumptions		(1,557,945)
Changes in benefit terms		-
Benefit payments		(162,762)
Changes in proportionate share		155,988
Other		-
Net Changes in Total OPEB Liability	$	(563,492)
Total OPEB Liability - Beginning	$	10,621,121
Total OPEB Liability - Ending	$	10,057,629
College's proportion of the Total OPEB Liability (%)		0.1726%
Covered-employee payroll	$	11,601,309
Total OPEB Liability as a percentage of covered-employee payroll		86.6939%

Notes: These schedules will be built prospectively until it contains 10 years of data.

Notes to Required Supplementary Information

The Public Employee's Benefits Board (PEBB) 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 percentages.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov