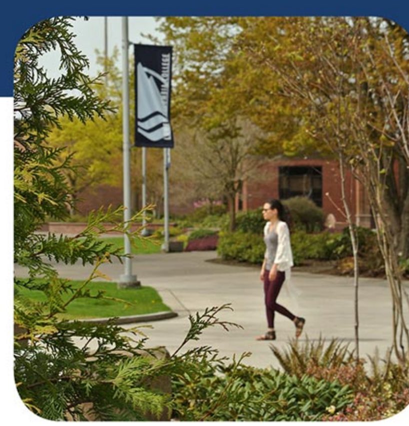
LOWER COLUMBIA COLLEGE
2018 FINANCIAL REPORT



Lower Columbia College
June 30, 2018
Financial Report

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You may view the financial report at http://lowercolumbia.edu/disclosure/financial-report.php.

Visit the home page at www.lowercolumbia.edu.

Trustees and Administrative Officers

BOARD OF TRUSTEES

EXECUTIVE OFFICERS

Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Lower Columbia College

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

Published February 4, 2019

Report No. 1023214

Office of the Washington State Auditor
Pat McCarthy

February 4, 2019

Board of Trustees
Lower Columbia College
Longview, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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

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

Board of Trustees
Lower Columbia College
Longview, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Lower Columbia 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 January 29, 2019. As discussed in Note 16 to the financial statements, during the year ended June 30, 2018, the College implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

January 29, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Board of Trustees
Lower Columbia College
Longview, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

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

Matters of Emphasis

As discussed in Note 16 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 Lower Columbia College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2018, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2019 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

January 29, 2019

FINANCIAL SECTION

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

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Management's Discussion and Analysis

Lower Columbia College

The following discussion and analysis provides an overview of the financial position and activities of Lower Columbia 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
Lower Columbia 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 6,064 students. The College confers associates degrees, certificates and high school diplomas. The College was established in 1934 and its primary purpose is to ensure each learner's personal and professional success, and influence lives in ways that are local, global, traditional, and innovative. The college's vision is to be a powerful force for improving the quality of life in our community. Our campus community promotes and fosters an environment of integrity, respect, collaboration, cooperation, inclusion, and innovation that fosters personal growth, academic excellence, and accountability.

The College campus is located in Longview, Washington; however, as the lone institution of higher education in the immediate area, it services a regional population of approximately 111,000 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 financial statements presented in this report encompass the College and it's discretely presented component unit the Lower Columbia College Foundation. 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.

Statement of Net Position

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

Condensed Net Position
As of June 30

	2018	2017
Assets		
Current assets	$ 8,484,076	$ 6,093,909
Capital assets, net	87,445,202	88,129,001
Other noncurrent assets	5,037,230	7,549,534
Total assets	100,966,508	101,772,444
Deferred Outflows	1,873,593	1,912,810
Liabilities		
Current liabilities	5,604,280	4,411,211
Noncurrent liabilities	50,844,125	38,574,866
Total liabilities	56,448,405	42,986,077
Deferred Inflows	4,631,558	622,464
Net position		
Net investment in capital assets	59,745,202	59,114,001
Restricted		
Expendable	124,092	507,770
Nonexpendable	350,154	350,154
Unrestricted	(18,459,310)	104,788
Total net position	$ 41,760,138	$ 60,076,713

Current assets consist primarily of cash and cash equivalents, various accounts receivables and inventories. The significant portion of the increase of current assets in FY 2018 can be attributed to an increase in cash as investments were sold.

Capital assets net of depreciation decreased by $0.7 million from FY 2017 to FY 2018. Additions of $1.9 million related to building and other improvements were offset by $2.6 million depreciation expense.

Other noncurrent assets include long term investments. Changes to long term investments in FY 2018 are due to fair value adjustments and sale of approximately $3.0 million in debt securities.

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, current portion of pension and OPEB liabilities, deposits held for others, and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. In fiscal year 2018, current liabilities increased $1.2 million due primarily to new reporting of the current portion of OPEB liability as the College implemented GASB Statement 75 in fiscal year 2018.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees, pension liabilities, OPEB, and the long-term portion of Certificates of Participation debt. Non-current liabilities increased $12.3 million due to a small increase in compensated absences and new reporting of the college's non-current portion of the liability for other post-employment benefits (OPEB) of $15.0 million, offset by $1.3 million in payments on debt and a $1.6 million decrease in net pension liabilities.

Deferred Inflows of Resources increased $4.0 million from FY 2017 to FY 2018. Approximately $1.0 million of the increase was due to pension deferred inflows increasing, and the remaining $3.0 million increase was due to the implementation of the new OPEB standard.

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:***
>
> > ***Expendable –*** resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary expendable funds for the College are student loans and the expendable portion of endowments.
> >
> > ***Unexpendable –*** consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only. Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Foundation; however, this corpus balance was established directly with the college at the direction of the donors.

***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.

Net investment in capital assets increased by $0.6 million in FY 2018 as capital asset projects were completed and debt was paid down. Unrestricted net position decreased $18.6 million in FY 2018 due to implementation of the new OPEB accounting standard, which resulted in a $18.4 million dollar change in accounting principle decreasing net position. Restricted net position only decreased slightly during the year.

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 received, both operating and non-operating, and the expenses paid by the College, along with any other revenue, expenses, gains and losses of the College.

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

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

A condensed statement of revenues, expense and changes in net position for the year ended June 30, 2018 and 2017 is presented below.

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

	2018	2017
Operating revenues	$ 25,406,924	$ 23,352,103
Operating expenses	(47,374,845)	(44,653,607)
Net operating income (loss)	(21,967,921)	(21,301,504)
Non operating revenues and expenses	18,224,645	17,047,223
Loss before capital contributions	(3,743,276)	(4,254,281)
Capital appropriations and contributions	3,796,738	3,990,093
Increase (decrease) in net position	53,462	(264,188)
Net position, beginning of year	60,076,713	62,685,692
Change in accounting principle	(18,370,037)	(2,139,587)
Prior period adjustment	-	(205,204)
Net position, end of year	$ 41,760,138	$ 60,076,713

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 FY2017, the SBCTC moved forward with a new allocation model. This new model better aligns state funding with actual enrollments and increases funding for enrollments in certain high-priority courses – those that fill gaps or provides adult basic education. It also increases how much money districts received based on student performance. The increase in state appropriations in FY 2018 of $0.7 million over FY 2017 is attributable to this change in the SBCTC allocation model as well as salary COLA and benefit increases appropriated by the Legislature.

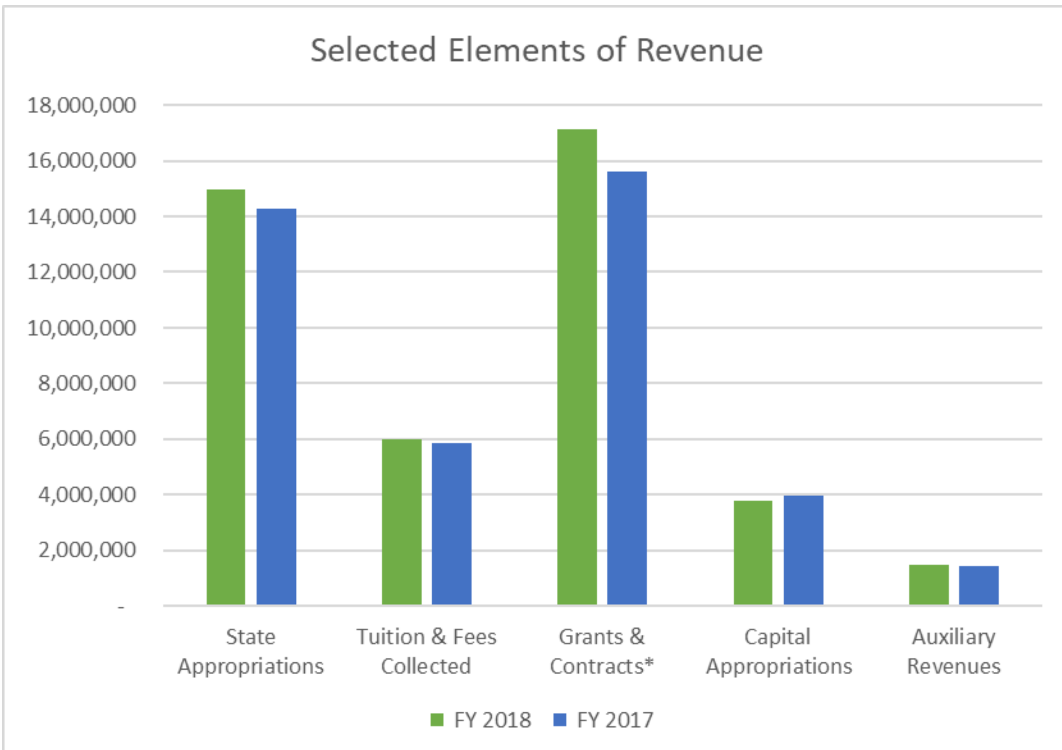
The FY 2018 increase in tuition and fee revenue is primarily attributable to the increase in tuition rates established by the Legislature. The College attempted to keep student fees as stable as possible, resulting in only small changes in these revenues.

Pell grant revenues generally follow enrollment trends. However, the College's enrollment decreased during FY 2018, yet the College's Pell Grant revenue increased slightly by $164,314.

In FY 2018, grant and contract revenues increased by approximately $1.5 million when compared with FY 2017. This is primarily attributable to a steady increase in Running Start enrollments as well as an increase in the Running Start reimbursement rates. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College also contracts with these same high schools to enroll Career

Education Opportunities (CEO) students, which allows students to take courses from the College to complete their high school diploma.

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



* Grants and Contracts exclude any Federal Pell grants and student loans.

Expenses:

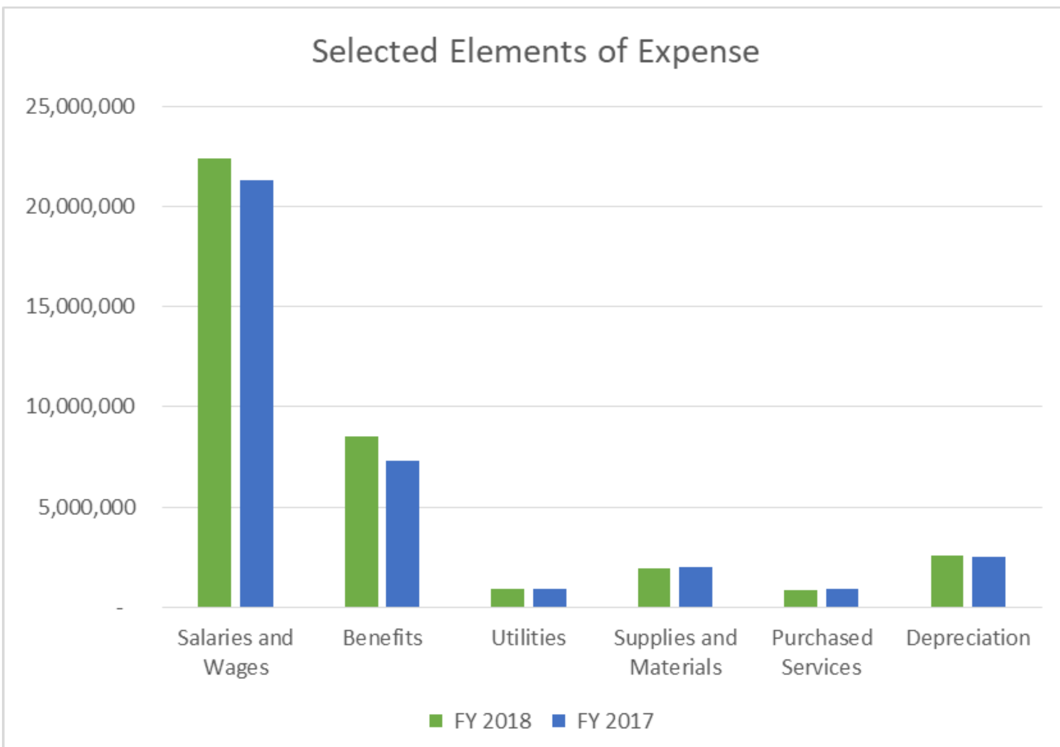
During the Great Recession of 2008 the College saw significant reductions to their state appropriations and that trend has continued throughout the last ten years. Although the College saw a slight increase in FY 2017 and FY 2018, much of that increase was provided to the College as earmarked funds or given as a proviso by the State Legislature. The College's state appropriations have yet to return back to the level they were at before the reductions initially took place. The College has continuously sought opportunities to identify savings and efficiencies, while also looking at opportunities for innovation.

More recently, in FY 2018, salary and benefit costs increased as result of Cost of Living Adjustment (COLA) and health rate changes approved by the state in FY 2017.

Utility costs were relatively steady from FY 2017 to FY 2018. Supplies and materials and purchased services are lower in FY 2018, primarily as a result of our efforts to realize the savings and efficiencies mentioned above.

<u>Comparison of Selected Operating Expenses by Function</u>

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



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. In addition, the College has one of four community college projects that were funded through a Certificate of Participation (COP) against which system–wide building fee monies were pledged.

At June 30, 2018, the College had invested $87,445,202 in capital assets, net of accumulated depreciation. This represents a decrease of $0.7 million from last year, as shown in the table below.

Asset Type		June 30, 2018		June 30, 2017		Change
Land	$	6,016,176	$	6,016,176	$	-
Construction in Progress		2,672,896		987,773		1,685,123
Buildings, net		73,454,461		75,360,379		(1,905,918)
Other Improvements and Infrastructure, net		2,977,797		3,133,620		(155,823)
Equipment, net		2,243,699		2,531,453		(287,754)
Library Resources, net		80,173		99,600		(19,427)
Total Capital Assets, Net	**$**	**87,445,202**	**$**	**88,129,001**	**$**	**(683,799)**

Additional information on capital assets can be found in Note 4 of the Notes to the Financial Statements.

At June 30, 2018, the College had $27,700,000 in outstanding debt, all of this in the form of two Certificate of Participation issued by the State Treasurers Office. The first COP was issued in December, 2012 in lieu of a Capital Appropriation for the construction of the Health & Science building. The second COP was issued September, 2015 for the remodel of the College Fitness Center building.

Debt, Short and Long-Term		June 30, 2018		June 30, 2017		Change
Certificates of Participation	$	27,700,000	$	29,015,000	$	(1,315,000)
Total	**$**	**27,700,000**	**$**	**29,015,000**	**$**	**(1,315,000)**

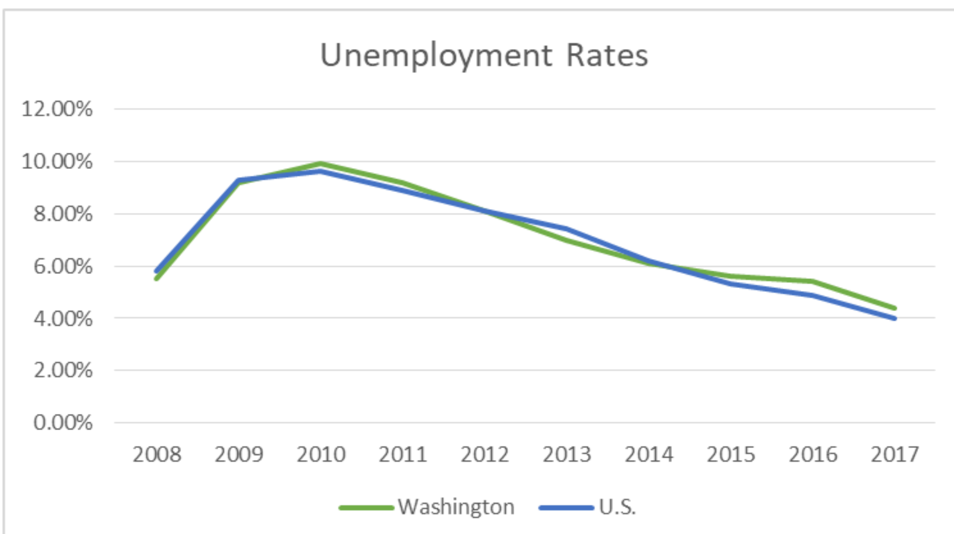
Additional information of notes payable, long term debt, and debt service schedules can be found in Note 10 and 11 of the Notes to the Financial Statements.

Economic Factors That Will Affect the Future

Following a trend that began in FY 2009, the College's state operating appropriations continued to decrease through FY 2016. Beginning FY 2016, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. This further reduced the amount of tuition collected by the College. The Legislature did however backfill a portion of this loss. In FY 2017, the State Board for Community and Technical Colleges implemented 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. Although the College continues to see a decrease in enrollment, when comparing enrollment to the other Colleges in the system, we anticipate a small increase in state operating appropriations in the next few fiscal years. However, it's 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.

Washington's Economic and Revenue Forecast Council prepares independent forecasts quarterly throughout the year. In its November 2018 forecast, the Council observed that the Washington economy is expanding at a rapid pace. Historical estimates of personal income were revised higher. Employment has also been forecast to increase. Lower unemployment rates, rising wages and a steady housing market suggested potential upside risks to the Washington forecast.

A hallmark of community colleges is the flexibility to quickly respond to the needs of the community, resulting in a pattern of high enrollment during economic downturns, punctuated by lower enrollment when the job market is strong. This pattern is particularly notable in the Washington's rural counties, including Cowlitz and Wahkiakum (which comprise the service district for Lower Columbia College). For LCC specifically, the unemployment rate is the strongest single statistical predictor of enrollment change. Because economic recovery from the 2008 recession lagged the state in both Cowlitz and Wahkiakum Counties, enrollment at LCC stayed higher relatively than the rest of the system in 2017. Moderate declines in enrollment, related to falling unemployment rates, were expected in 2018 and possibly 2019 as well before eventual stabilization.



Statement of Net Position

Lower Columbia College

As of June 30, 2018

		2018
ASSETS		
Current assets		
Cash and cash equivalents	$	5,145,344
Restricted cash and cash equivalents		130,384
Accounts receivable, net		2,702,918
Inventories		347,342
Prepaid Expenses		158,088
Total current assets		8,484,076
Non-current assets		
Long-term investments		4,693,368
Restricted investments		343,862
Depreciable Capital assets, net		78,756,130
Non-depreciable assets		8,689,072
Total non-current assets		92,482,432
Total assets		100,966,508
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		1,610,554
Deferred outflows related to OPEB		263,039
Total deferred outflows of resources		1,873,593
LIABILITIES		
Current liabilities		
Accounts payable		511,093
Accrued liabilities		1,468,087
Compensated absences		513
Interest payable		103,871
Deposits payable		8,142
Unearned revenue		471,494
Current portion pension liability		29,502
Current portion OPEB liability		1,631,578
Certificates of participation payable		1,380,000
Total current liabilities		5,604,280
Noncurrent liabilities		
Compensated absences		2,039,102
Pension liability		7,495,543
Other postemployment benefits liability		14,989,480
Certificates of participation payable		26,320,000
Total noncurrent liabilities		50,844,125
Total liabilities		56,448,405
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		1,606,146
Deferred inflows related to OPEB		3,025,412
Total deferred inflows of resources		4,631,558
NET POSITION		
Net investment in capital assets		59,745,202
Restricted for:		
Expendable		124,092
Nonexpendable		350,154
Unrestricted		(18,459,310)
Total net position	$	41,760,138

The accompanying notes are an integral part of these financial statements

Statement of Revenues, Expenses and Changes in Net Position

Lower Columbia College

For the Year Ended June 30, 2018

		2018
Operating revenues		
Student tuition and fees, net	$	5,997,410
Auxiliary enterprise sales		1,509,727
State and local grants and contracts		12,365,302
Federal grants and contracts		4,751,988
Other operating revenues		782,497
Total operating revenue		25,406,924
Operating expenses		
General Administrative		3,787,062
Salaries and wages		22,382,876
Benefits		8,496,297
Scholarships and fellowships, net		6,329,114
Supplies and materials		1,964,007
Depreciation		2,599,245
Purchased services		884,485
Utilities		931,759
Total operating expenses		47,374,845
Operating income (loss)		(21,967,921)
Non-operating revenues		
State appropriations		14,971,222
Federal Pell grant revenue		5,149,572
Investment income, gains and losses		270,293
Building fee remittance		(696,437)
Innovation fund remittance		(171,346)
Interest expense		(1,298,659)
Total non-operating revenues (expenses)		18,224,645
Loss before capital contributions		(3,743,276)
Capital Revenues		
Capital appropriations		3,796,738
Increase (decrease) in net position		53,462
Net position		
Net position, beginning of year		60,076,713
Change in accounting principle		(18,370,037)
Net position, end of year	$	41,760,138

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

Lower Columbia College

For the Year Ended June 30, 2018

		2018
Cash flow from operating activities		
Tuition and fees	$	6,087,828
Grants and contracts		16,806,481
Payments to vendors		(3,363,394)
Payments for utilities		(904,199)
Payments to employees		(22,260,250)
Payments for benefits		(7,762,012)
Auxiliary enterprise sales		1,508,398
Payments for scholarships and fellowships		(6,329,114)
Other receipts		782,497
Other payments		(3,910,025)
Net cash used by operating activities		(19,343,790)
Cash flow from noncapital financing activities		
State appropriations		14,705,255
Pell grants		5,149,572
Building fee remittance		(696,437)
Innovation fund remittance		(171,346)
Net cash provided by noncapital financing activities		18,987,044
Cash flow from capital and related financing activities		
Capital appropriations		3,796,738
Purchases of capital assets		(1,833,520)
Principal paid on capital debt		(1,315,000)
Interest paid		(1,303,632)
Net cash used by financing activities		(655,414)
Cash flow from investing activities		
Proceeds from sales and maturities of investments		3,226,258
Income from investments		352,722
Purchases of investments		(796,236)
Net cash provided by investing activities		2,782,744
Increase (Decrease) in cash and cash equivalents		1,770,584
Cash and cash equivalents at the beginning of the year		3,505,144
Cash and cash equivalents at the end of the year	$	5,275,728
Cash and cash equivalents	$	5,145,344
Cash and cash equivalents - restricted		130,384
	$	5,275,728

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows, continued

Lower Columbia College

For the Year Ended June 30, 2018

		2018
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$	(21,967,921)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation/amortization		2,599,245
(Increase) decrease in accounts receivable		(308,279)
(Increase) decrease in prepaid items		(103,156)
Increase (decrease) in warrants payables		(521,902)
Increase (decrease) in customer deposits		(269)
Increase (decrease) in inventory		57,819
Increase (decrease) in unearned revenue		86,828
Increase (decrease) in compensated absences		111,446
Increase (decrease) in pensions and OPEB		702,399
Net cash used by operating activities	$	(19,343,790)
Noncash investing, financing and capital activities		
Change in fair value of investments	$	(165,294)
Capital assets financed through accounts payable		82,073

The accompanying notes are an integral part of these financial statements

Foundation Statement of Financial Position

Lower Columbia College Foundation

As of June 30, 2018

ASSETS		
Cash and cash equivalents	$	539,987
Marketable securities		14,977,464
Pledges receivable		111,775
Prepaid Expenses		771
Fixtures and Equipment		30,890
Land held for sale		50,000
Total Assets		15,710,887
LIABILITIES		
Accrued Expenses		86,948
Annuity payment liability		2,501
Total Liabilities		89,449
NET ASSETS		
Unrestricted		2,723,644
Temporarily restricted		4,384,807
Permanently restricted		8,512,987
Total Net Assets	$	15,621,438

The accompanying notes are an integral part of these financial statements

Foundation Statement of Activities & Changes in Net Position

Lower Columbia College Foundation

For the Year Ended June 30, 2018

REVENUES, GAINS AND OTHER SUPPORT	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Contributions	$ 58,986	$ 414,125	$ 151,655	$ 624,766
Investment earnings (losses)	5,631	687,856	784	694,271
Vending machine revenue	31,128			31,128
Other revenues and gains	(765)	1,684		919
In-kind contributions	195,733			195,733
Loss on sale of land	(118,866)			(118,866)
Impairment of land value	(40,000)			(40,000)
Special event revenue (gross)	72,788	48,990		121,778
Reclassifications of net assets	1,142,774	(1,147,949)	5,175	-
Total revenues, gains and other support	1,347,409	4,706	157,614	1,509,729
EXPENSES				
Program services	1,237,259	-	-	1,237,259
General and administrative expenses	169,652	-	-	169,652
Fundraising expenses	121,986	-	-	121,986
Total expenses	1,528,897	-	-	1,528,897
Change in net assets	(181,488)	4,706	157,614	(19,168)
Net Assets, beginning of Year	2,905,132	4,380,101	8,355,373	15,640,606
Net Assets, end of year	$ 2,723,644	$ 4,384,807	$ 8,512,987	$ 15,621,438

The accompanying notes are an integral part of these 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

The financial statements of the Lower Columbia College (the College) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the significant accounting policies for the College.

Financial Reporting Entity

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. These notes form an integral part of the financial statements.

The Lower Columbia College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1976 and recognized as a tax exempt 501(c)(3) charity. The Foundation is dedicated to providing a conduit for private support of the College through scholarship endowments, program grants, and similar types of support. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the college or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statements. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2018, the Foundation distributed approximately $1,237,259 to the College for restricted and unrestricted purposes, which includes student scholarships in the amount of $317,061, program support in the amount of $610,655, grants in the amount of $82,956 and other purposes in the amount of $226,587. The College provides 1,140 square feet of rent-free office space to the Foundation valued at $13,680. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 1600 Maple St., Longview, WA.

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; Notes to the Financial Statements and other Required Supplementary Information related to pension and other post-employment benefits. 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.

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 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 and time deposits. Cash resources are invested directly into government securities with interest accruing for the benefit of the College. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets on the statement of net position.

Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Endowment investments are classified as noncurrent assets on the statement of net position.

Certain investments are reported at fair value in accordance with GASB statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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. The college considers all accounts aging twelve months or more as uncollectible. 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 the FIFO method.

Capital Assets

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives are generally 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

Unearned Revenues

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

Tax Exemption

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

Net Pension Liability

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

In fiscal year 2018, the College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 (Accounting and Financial Reporting for Pensions).* The reporting requirements are similar to GASB68 but use current fiscal year end as the measurement date for reporting the pension liabilities.

Other Post Employment Benefits

For purposes of measuring the other post employment benefits (OPEB), deferred outflows of resources and deferred inflows or resources related to OPEB, and OPEB expense, information about the liability reported for the Public Employees Benefit Board (PEBB) has been determined on the same basis as it is reported by the Washington State reported OPEB liability.

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Net Position

The College's net position is classified as follows.

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

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

Restricted for Expendable. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties. The expendable balance for the College is funds held for student loans and institutional financial aid funds per RCW 28B.15.820.

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 and expenses as either operating or non-operating revenues according to the following criteria:

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

Operating Expenses. Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation.

Non-operating Revenues. This includes activities that have the characteristics of non-exchange transactions, 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 $3,023,517.

State Appropriations

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

Building and Innovation Fee Remittance

Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted each month. 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. Cash and Investments

As of June 30, 2018, the College cash, cash equivalents, and investments, as reported on the Statement of Net Position, are as follows:

		June 30, 2018
Cash and cash equivalents	$	5,275,728
Local government bonds		2,945,841
US government agencies and sponsored entities		2,091,389
Total Cash and investments	$	10,312,958

Deposits:

Custodial credit risk (deposits). Custodial risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned. The College's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the College's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool.

Investments

Lower Columbia College's Investments Policy 532 states that the College shall invest funds in a manner which provides maximum security with the highest investment return, while meeting the daily cash flow demands of the College and conforming to all state laws governing the investment of public funds. The Chief Financial Officer shall invest district funds and is responsible for the investment program. The Chief Financial Officer will take necessary actions to ensure the prudent investment of district funds and shall provide consistent periodic reporting to the President.

Statutes authorize the College to invest in obligations of the U.S. Treasury, U.S. Agencies and instrumentalities, banker's acceptances, repurchase agreements, and the state treasurer's investment pool.

Investments Measured at Fair Value

The investment portfolio consists of individual issues of US government-sponsored enterprises and municipal bonds, diversified by type, locale, and maturity date which are held by custodian U.S. Bank N.A. Treasury Division. The College measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3: Unobservable inputs for an asset or liability, to the extent observable inputs are not available

As of June 30, 2018, the College had the following recurring fair value measurements.

Investments by fair value level	Total	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Local government issues	$ 2,945,841	$ -	$ 2,945,841	$ -
US government-sponsored enterprises	2,091,389	-	2,091,389	-
Total Investments by Fair Value Level	$ 5,037,230	$ -	$ 5,037,230	$ -

Interest rate risk. College policy limits investment maturities as a means to manage its exposure to fair value losses arising from increasing interest rates. The College's intent is to purchase investments that may be held until maturity. Unless matched to a specific cash flow, the college generally will not directly invest in securities maturing more than fifteen years from the date of purchase. The College manages its exposure to interest rate risk by limiting the duration of investment and structuring the maturity of investments to mature at various points in the year. The goal of the overall portfolio is to balance cash flow requirements, safety, liquidity, and yield. Interest rate risk is measured using the specific identification method. Investment maturities at June 30, 2018 is as follows:

	Fair Value	One Year or Less	One to Five Years
Municipal Bonds	$ 2,945,841	$ -	2,945,841
Farm Credit Bank	1,874,190	1,091,774	782,416
Federal Home Loan Mortgage Corp	217,199	-	217,199
Total Investments	$ 5,037,230	$ 1,091,774	3,945,456

	Maturity Date	Market Value
Federal Farm Credit Bank	02/22/19	$ 1,091,774
Federal Home Loan MTG Corp	08/01/19	217,199
Port Anacortes WA GO LTD	09/01/19	404,216
Mason Co. WA Pub Hosp DSY #001 GO, BLD AM	12/01/19	481,660
Grant County WA PUD#2 Revenue - Priest Rapids Hydro	01/01/20	499,055
Federal Farm Credit Bank	04/06/20	147,369
Federal Farm Credit Bank - Endowment funds	04/06/20	343,862
Burien WA GO LTD, BLD AM 121265CS9	12/01/20	109,238
Mason Co. WA Pub Hosp DSY #001 GO, BLD AM	12/01/20	510,460
Lewis Co. WA Pub Fac Dist Sls Tax Rev, BLD AM	12/01/20	217,973
Centralia, WA Elec Revenue	12/01/20	405,760
Multnomah County OR GO LTD	12/01/21	203,820
Longview, WA GO LTD Quality Energy Consrv	12/01/21	113,659
Federal Farm Credit Bank	09/26/22	291,186
Total Investments Exposed to Custodial Risk		$ 5,037,230

Credit risk. Credit risk is the risk that an issuer or related party will not fulfill its obligations. As required by state law, all investments of the College's funds are obligations of the U.S. government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. College investments are in US government bonds and municipal bonds, which have zero to low risk of default because of the capability of local and state governments to increase taxes to cover their debts. All municipal bonds held are rated on the Moody's and/or S&P ratings scale of A1 and/or A or higher.

Concentration of credit risk. Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 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. Endowment assets, totaling $343,862 are also included in the total amount held for the benefit of Lower Columbia College, which are exposed to concentration of credit risk. The investments held at year-end are listed below along with their percentage of the government's total investment:

Investment Type	Fair Value	% of Portfolio
Municipal Bonds	$ 2,945,841	58%
Farm Credit Bank	1,874,190	37%
Federal Home Loan Mortgage Corp	217,199	4%
	$ 5,037,230	100%

Custodial credit risk (investments). Custodial risk is the risk that, in the event of a failure of the counterparty, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The College uses U.S. Bank N.A., Treasury Division as the custodial agent for safekeeping of the College's investments. U.S.

Bank N.A., Treasury Division provides monthly reports on the College's securities, all of which are held in the College's name. The investments held by the College at year-end are all book-entry, registered securities.

Total cash and investments are stated at $10,312,958. This includes cash held in a fiduciary capacity. There is additional cash held in College accounts due to "float" of outstanding checks, which have not cleared the bank as of June 30, 2018. The total cash and investments held by the College per the bank account, including the uncleared checks, total $5,249,532. The College invests all temporarily idle funds. Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2018 are $0.

NOTE 3. Receivables

At June 30, 2018, accounts receivable were as follows.

		FY18
Student Tuition and Fees	$	1,418,391
Due from the Federal Government		885,654
Due from Other State Agencies		1,454,892
Auxilary Enterprises		9,767
Other		186,205
Subtotal		3,954,909
Less Allowance for Uncollectible Accounts*		(1,251,991)
Accounts Receivable, net	$	2,702,918

*The majority of the allowance for uncollectible accounts is associated with Title IV Repayments.

NOTE 4. 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 $2,599,245.

	Beginning Balance	Additions/ Transfers	Retirements / Adjustments	Ending Balance
Nondepreciable capital assets				
Land	$ 6,016,176	$ -	$ -	$ 6,016,176
Construction in progress	987,773	1,685,123		2,672,896
Total nondepreciable capital assets	7,003,949	1,685,123	-	8,689,072
Depreciable capital assets				
Buildings	101,443,081	(130,606)	-	101,312,475
Other improvements and infrastructure	5,479,095	-	-	5,479,095
Equipment	6,555,105	360,606	353,824	6,561,887
Library resources	1,674,994	325	-	1,675,319
Subtotal depreciable capital assets	115,152,275	230,325	353,824	115,028,776
Less accumulated depreciation				
Buildings	25,952,096	1,905,918	-	27,858,014
Other improvements and infrastructure	2,345,475	155,823	-	2,501,298
Equipment	4,154,260	517,752	353,824	4,318,188
Library resources	1,575,394	19,752	-	1,595,146
Total accumulated depreciation	34,027,225	2,599,245	353,824	36,272,646
Total depreciable capital assets	81,125,050	(2,368,920)	-	78,756,130
Capital assets, net of accumulated depreciation	$ 88,128,999	$ (683,797)	$ -	$ 87,445,202

NOTE 5. Accounts Payable and Accrued Liabilities

At June 30, 2018, accrued liabilities are the following.

	Amount
Amounts Owed to Employees	$ 977,067
Amounts Held for Others	920,040
Total accounts payable and accrued liabilities	$ 1,897,107

NOTE 6. Unearned Revenue

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

	Amount
Summer Quarter Tuition & Fees	$ 425,229
Auxilary Enterprises	45,690
Grants & Contracts	575
Total Unearned Revenue	$ 471,494

NOTE 7. Risk Management

The College is exposed to various risk of loss related to tort liability, injuries to employees, errors and omissions, theft of, damage to, and destruction of assets, and natural disasters. The College purchases insurance to mitigate these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks.

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2017 through June 30, 2018, were $68,613. Cash Reserves for unemployment compensation for all employees as June 30, 2018, were $30,000.

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. These policies cover such areas as property, buildings, athletics and medical malpractice liabilities. The policy has a deductible of $250,000 per occurrence and the policy limit is $100,000,000 per occurrence. The college has had no claims in excess of the coverage amount within the past three years. The College assumes its potential property losses for most other buildings and contents.

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

NOTE 8. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Upon retirement, employees receive 25% of the value of their accumulated sick leave credited to a Voluntary Employee's Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth of the total balance on the payroll records. The accrued vacation leave totaled $999,587, accrued sick leave totaled $1,039,515, and the accrued compensatory leave totaled $513 at June 30, 2018.

An estimated amount, based on a three-year average payout, is accrued as a current liability. The remaining amount of accrued annual and sick leave are categorized as non-current liabilities. Compensatory time is categorized as a current liability since it must be used before other leave.

NOTE 9. Notes Payable

In December 2012, the College obtained financing in order to fund the construction of the Health & Science Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $ 31,550,000. The interest rate charged is 3.10% for a term of twenty years. The College makes payments on the COP and is then reimbursed through state appropriations.

In December of 2015, the college obtained financing in order to fund the renovation of the College's Fitness Center certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $ 2,910,000. The interest rate charged is 3.42129% for a term of twenty years. The Fitness Center COP will be paid for by student fees as approved by the ASLCC.

NOTE 10. Annual Debt Services Requirements

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

	Certificates of Participation		
Fiscal year	Principal	Interest	Total
2019	$ 1,380,000	$ 1,243,831	$ 2,623,831
2020	1,450,000	1,174,706	2,624,706
2021	1,525,000	1,102,081	2,627,081
2022	1,600,000	1,025,706	2,625,706
2023	1,690,000	945,456	2,635,456
2024-2028	9,795,000	3,391,681	13,186,681
2029-2033	9,670,000	1,084,841	10,754,841
2034-2036	590,000	33,631	623,631
Total	$ 27,700,000	$ 10,001,934	$ 37,701,934

NOTE 11. Schedule of Long Term Debt

	Balance outstanding 6/30/17	Additions	Reductions	Balance outstanding 6/30/18	Current portion
Certificates of participation	$ 29,015,000	$ -	$ 1,315,000	$ 27,700,000	$ 1,380,000
Compensated absences	1,928,169	111,446	-	2,039,615	513
Other Post Employment Benefits*	18,651,725		2,030,667	16,621,058	1,631,578
Net pension obligation	9,121,977	-	1,596,932	7,525,045	29,502
Total long-term debt	$ 58,716,871	$ 111,446	$ 4,942,599	$ 53,885,718	$ 3,041,593

*Beginning balance is adjusted to show net effect of change in accounting principle at 7/1/2017.

NOTE 12. Pension Plans

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	SBRP	Total
Pension liabilities	$ 2,848,897	$ 2,653,248	$ 313,997	$ 98,201	$ 1,610,702	$ 7,525,045
Deferred outflows of resources related to pensions	411,848	1,006,837	46,205	103,239	42,425	1,610,554
Deferred inflows of resources related to pensions	106,313	794,553	13,302	40,549	651,429	1,606,146
Pension expense/expenditures	200,025	423,936	91,464	39,268	33,463	788,156

Summary

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

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

Covered Payroll by Plan		
PERS 1	$	8,070,279
PERS 2/3		8,032,145
TRS 1		650,223
TRS 2/3		650,223
SBRP		10,830,863
Total	$	28,233,733

The College's defined benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the State Board Retirement Plan, they are administered in a way equivalent to pension trust arrangements as defined by GASB. In accordance with the Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities related to PERS and TRS, to align with the State CAFR.

For the State Board Retirement Plan, the College has elected to use the current fiscal year end as the measurement date for reporting net pension liabilities for the State Board Retirement Plan in alignment with the State CAFR.

Basis of Accounting

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

College Participation in Plans Administered by the Department of Retirement Systems

PERS and TRS

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

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

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

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

The required contribution rates, expressed as a percentage of current year covered payroll, are shown in the table below. The College and the employees made 100% of required contributions. Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2018, 2017, and 2016 are as follows:

Contribution Rates at June 30

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

		Required Contributions
PERS 1	$	411,848
PERS 2/3		603,053
TRS 1		46,205
TRS 2/3		49,880

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

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB adopted investment policies for the various asset classes in which the WSIB invests.
For the year ended June 30, 2017, the annual money-weighted rate of return on the pension investments, net of pension plan investment expenses, are as follows:

Pension Plan	**Rate of Return**
PERS Plan 1	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%
Public Equity	37%	6.30%
Private Equity	23%	9.30%
Total	**100%**	

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

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Actuarially determined pension expense	$ 177,828	$ 368,931	$ 20,188	$ 35,306	$ 602,253
Amortization of change in proportionate liability	22,197	55,005	71,276	3,962	152,440
Total Pension Expense	$ 200,025	$ 423,936	$ 91,464	$ 39,268	$ 754,693

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:

Plan Name	2017	2016	Change
PERS 1	0.059615%	0.060039%	-0.000424%
PER 2/3	0.075574%	0.076363%	-0.000789%
TRS 1	0.008230%	0.010386%	-0.002156%
TRS 2/3	0.008428%	0.010640%	-0.002212%

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

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

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

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

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

Changes in methods and assumptions since the last valuation include:

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
Pension Plan	6.50%	7.50%	8.50%
PERS Plan 1	3,470,502	2,848,897	2,310,455
PERS Plan 2/3	7,148,131	2,653,248	(1,029,640)
TRS Plan 1	390,448	313,997	247,823
TRS Plan 2/3	333,526	98,201	(92,927)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

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 related to PERS plans, as reflected on the Statement of Net Position, for the year ended June 30, 2018:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 268,837	$ 87,261
Difference between expected and actual earnings of pension plan investments	-	106,313	-	707,292
Changes of Assumptions	-	-	28,183	-
Changes in College's proportionate share of pension liabilities	-	-	106,764	-
Contributions to pension plans after measurement date	411,848	-	603,053	-
	$ 411,848	$ 106,313	$ 1,006,837	$ 794,553

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 24,488	$ 5,010
Difference between expected and actual earnings of pension plan investments	-	13,302	-	35,539
Changes of Assumptions	-	-	1,157	-
Changes in College's proportionate share of pension liabilities	-	-	27,714	-
Contributions to pension plans after measurement date	46,205	-	49,880	-
	$ 46,205	$ 13,302	$ 103,239	$ 40,549

	TOTAL ALL PLANS	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 293,325	$ 92,271
Difference between expected and actual earnings of pension plan investments	-	862,446
Changes of Assumptions	29,340	-
Changes in College's proportionate share of pension liabilities	134,478	-
Contributions to pension plans after measurement date	1,110,986	-
	$ 1,568,129	$ 954,717

The $1,110,986 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2019.

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
2019	$ (71,861)	$ (226,814)	$ (9,771)	$ (9,962)	$ (318,408)
2020	22,688	105,417	3,658	9,753	141,516
2021	(5,268)	(55,088)	(325)	2,087	(58,594)
2022	(51,872)	(279,866)	(6,864)	(9,990)	(348,592)
2023	-	28,513	-	4,359	32,872
Thereafter	-	37,069	-	16,563	53,632
Total	$ (106,313)	$ (390,769)	$ (13,302)	$ 12,810	$ (497,574)

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

Plan Description.

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2018 were each $900,674.

Benefits Provided. The State Board Supplemental Retirement Plans (SRP) provide retirement, disability, and death benefits to eligible members.

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

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

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

The SRP pension benefits are unfunded. For the year ended June 30, 2018, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of $1,300,000. The College's share of this amount was $24,020. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2018, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $54,154. This amount was not used as a part of GASB 73 calculations as its status as an asset has not been determined by the Legislature. As of June 30, 2018, the Community and Technical College system accounted for $16,351,270 of the fund balance.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016. Update procedures were used to roll forward the total pension liability to the June 30, 2017 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Material assumption changes during the measurement period include the discount rate increase from 3.58 percent to 3.87 percent and the variable income investment return assumption dropping from 6.75 percent to 6.25 percent.

Discount Rate. The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.87 percent for the June 30, 2018, measurement date.

Pension Expense. For the year ended June 30, 2018, Lower Columbia College reported $33,463 for pension expense in the State Board Retirement Plan.

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for fiscal year ending June 30, 2018 was 1.85%. 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 changes to the College's proportionate share of the total pension liability from 2017 to 2018 for the SRP is listed below:

Change in Proportionate Share (%)

2017	2018	Change
1.80805%	1.847707%	0.039662%

Plan Membership. Membership in the State Board Supplemental Retirement Plan consisted of the following as of June 30, 2016, the most recent actuarial valuation date:

Number of Participating Members				
Plan	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
State Board for Community and Technical Colleges (SBCTC)	13	0	114	127

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

Change in Total Pension Liability (Asset)	Amount
Service cost	$ 70,712
Interest	64,984
Changes of benefit terms	-
Differences between expected and actual experience	(192,199)
Changes of assumptions	(65,021)
Benefit payments	(24,020)
Other	37,699
Net change in total pension liability	(107,845)
Total pension liability - beginning	1,718,547
Total pension liability - ending	$ 1,610,702

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

Total Pension Liability (Asset)	1% Decrease	Current Discount Rate	1% Increase
State Board for Community and Technical Colleges (SBCTC)	1,837,139	1,610,702	1,422,365

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ -	$ 513,128
Changes of Assumptions	-	138,301
Changes in College's proportionate share of pension liability	42,425	-
Total	**$ 42,425**	**$ 651,429**

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:

Future Pension Expense	
2019	(102,233)
2020	(102,233)
2021	(102,233)
2022	(102,233)
2023	(102,233)
Thereafter	(97,837)
	$ (609,004)

Defined Contribution Plans

Public Employees' Retirement System Plan 3

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

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

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

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

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

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

TRS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.
Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from TRS-covered employment.

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

NOTE 13 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 12, 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.

The Public Employee's Benefits Board (PEBB) OPEB plan does not have assets in trusts or equivalent arrangements. 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		3
Total		1,110
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

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 $16,621,058. This liability was determined based on a measurement date of June 30, 2017.

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

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

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

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

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

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

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

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

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

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

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

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

Proportionate Share %		0.28530%
Service cost	$	1,126,806
Interest Cost		527,803
Changes in assumptions *		(2,574,632)
Benefit payments		(268,976)
Changes in Proportionate Share *		(841,668)
Net change in total OPEB liability		(2,030,667)
Total OPEB liability - beginning		18,651,725
Total OPEB liability - ending	$	16,621,058

*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
20,279,743	16,621,058	13,789,823

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 Trend Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
13,427,528	16,621,058	20,907,061

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

For the year ending June 30, 2018, the College will recognize OPEB expense of $1,276,433. OPEB expense consists of the following elements:

Proportionate Share %		0.28530%
Service cost	$	1,126,806
Interest Cost		527,803
Amortization of Changes in assumptions		(286,070)
Amortization Changes in Proportionate Share		(92,106)
Total OPEB Expense	$	1,276,433

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

	Deferred outflows of resources	Deferred inflows of resources
Changes of Assumptions	$ -	$ 2,288,562
Transactions subsequent to the measurement date	263,039	-
Changes in proportionate share	-	736,850
Total	$ 263,039	$ 3,025,412

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

Year Ended June 30,	OPEB
2019	(378,176)
2020	(378,176)
2021	(378,176)
2022	(378,176)
2023	(378,176)
Thereafter	(1,134,530)

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:

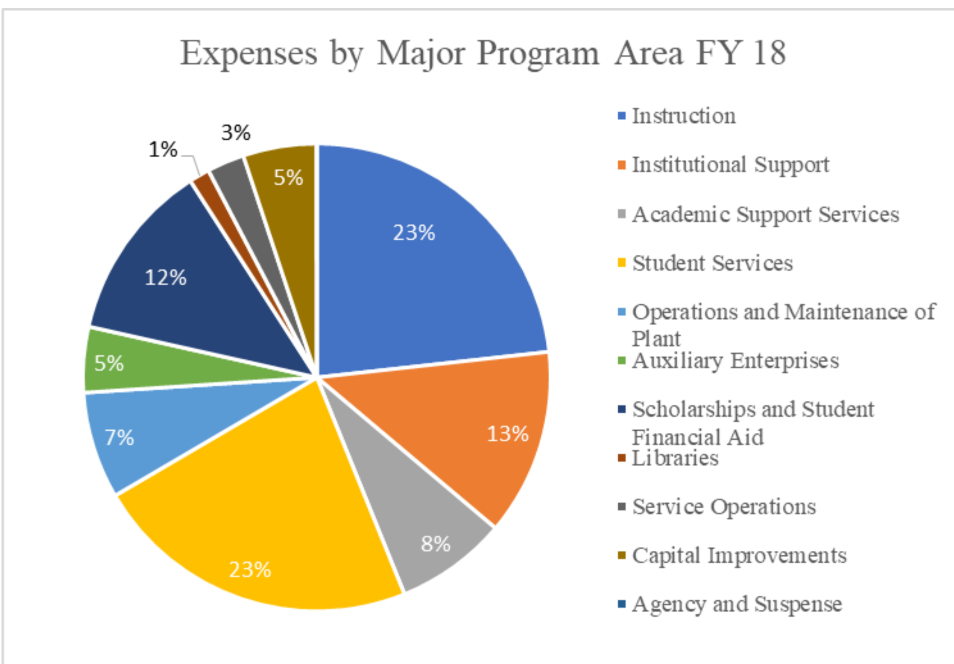
Proportionate Share (%) 2016	**0.2987824615%**
Proportionate Share (%) 2017	**0.2852997674%**
Total OPEB Liability - Ending 2016	$ 18,651,725
Total OPEB Liability - Beginning 2017	17,810,058
Total OPEB Liability Change in Proportion	(841,668)
Total Deferred Inflows (Outflows) - 2016	(281,688)
Total Deferred Inflows (Outflows) - 2017	(268,977)
Total Deferred Inflows/Outflows Change in Proportion	12,711
Total Change in Proportion	**$ (828,957)**

NOTE 14. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2018.

Instruction	$	11,042,531
Institutional Support		6,129,945
Academic Support Services		3,669,788
Student Services		10,775,250
Operations and Maintenance of Plant		3,513,203
Auxiliary Enterprises		2,155,177
Scholarships and Student Financial Aid		5,892,409
Libraries		677,291
Service Operations		1,222,234
Capital Improvements		2,414,439
Agency and Suspense		5,542
Total	$	47,497,809

The following chart shows operating expenses by program for the year ending June 30, 2018.



15. **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.

The College has commitments of $3,839,515 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

16. **Change in Accounting Principle**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).* The scope of this Statement addresses accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to employees of state and local governmental employers. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. The College has implemented this pronouncement during the 2018 fiscal year.

Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB),* the College has a deficit unrestricted net position of $19.1 million. This new accounting standard requires the College to recognize its portion of the State's total OPEB liability, reducing net position by a substantial amount. Additional information regarding GASB Statement No. 75 can be found in Note 13.

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.

Cumulative Effect of a Change in Accounting Principle

The College recorded a change in accounting principles as a beginning balance adjustment related to the addition of long-term obligations of $18,370,037 as a result of implementing GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).*

17. Accounting Standards Impacting the Future

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

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

18. Subsequent Events

In February of 2019 (FY 2020) the College will obtain a $3,400,000 COP for the Main Building Renovation. The COP liability will carry an estimated interest rate of 3.67% for a term of 20 years.

Required Supplementary Information

Pension Plan Information

State Board Supplemental Defined Benefit Plans
Schedule of Changes in the Total Pension Liability and Related Ratios

SBRP
As of June 30
Two Fiscal Years

Change in Total Pension Liability (Asset)	2018	2017
Service cost	$ 70,712	$ 97,942
Interest	64,984	63,535
Changes of benefit terms	-	-
Differences between expected and actual experience	(192,199)	(458,086)
Changes of assumptions	(65,021)	(108,121)
Benefit payments	(24,020)	(16,309)
Other	37,698	-
Net change in total pension liability	(107,846)	(421,040)
Total pension liability - beginning	1,718,547	2,139,587
Total pension liability - ending	$ 1,610,702	$ 1,718,547
College's proportion of pension liability	1.8477%	1.8080%
Covered-employee payroll	$ 10,830,863	$ 10,493,138
Total pension liability as a percent of covered payroll	14.87%	16.38%

Note: 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.

Cost Sharing Employer Plans
Schedule of Proportionate Share of the Net Pension Liability

PERS 1
As of June 30
Last Four Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.060039%	$ 2,848,897	$ 7,534,020	37.81%	61.24%
2016	0.059615%	$ 3,201,606	7,088,864	45.16%	57.03%
2015	0.058480%	3,059,048	6,659,738	45.93%	59.10%
2014	0.056804%	2,861,528	6,141,255	46.60%	61.19%

PERS 2/3
As of June 30
Last Four Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.076363%	$ 2,653,248	$ 7,497,276	35.39%	90.97%
2016	0.075574%	3,805,091	7,052,812	53.95%	85.82%
2015	0.074665%	2,667,824	6,624,698	40.27%	89.20%
2014	0.070723%	1,429,567	6,048,603	23.63%	93.29%

TRS 1
As of June 30
Last Four Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.010386%	$ 313,997	$ 573,979	54.71%	65.58%
2016	0.008230%	280,992	418,067	67.21%	62.07%
2015	0.007150%	226,522	353,651	64.05%	65.70%
2014	0.006548%	193,131	311,323	62.04%	68.77%

TRS 2/3
As of June 30
Last Four Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.010640%	$ 98,201	$ 573,979	17.11%	93.14%
2016	0.008428%	115,741	418,067	27.68%	88.72%
2015	0.007566%	63,842	353,651	18.05%	92.48%
2014	0.007061%	22,806	311,323	7.33%	96.81%

Cost Sharing Employer Plans
Schedule of Employer Contributions

PERS 1
As of June
Last Five Fiscal Years

Year Ended June 30,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2018	$ 411,848	$ (411,848)	$ -	$ 8,070,279	5.10%
2017	$ 365,811	(365,811)	-	7,534,020	4.86%
2016	338,077	(338,077)	-	7,088,864	4.77%
2015	268,776	(268,776)	-	6,659,738	4.04%
2014	251,435	(251,435)	-	6,141,255	4.09%

PERS 2/3
As of June 30
Last Five Fiscal Years

Year Ended June 30,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2018	$ 603,053	$ (603,053)	$ -	$ 8,032,145	7.51%
2017	474,922	(474,922)	-	7,497,276	6.33%
2016	436,283	(436,283)	-	7,052,812	6.19%
2015	332,598	(332,598)	-	6,624,698	5.02%
2014	298,762	(298,762)	-	6,048,603	4.94%

TRS 1
As of June 30
Last Five Fiscal Years

Year Ended June 30,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2018	$ 46,205	$ (46,205)	$ -	$ 650,223	7.11%
2017	36,244	(36,244)	-	573,979	6.31%
2016	18,729	(18,729)	-	418,067	4.48%
2015	16,001	(16,001)	-	353,651	4.52%
2014	12,948	(12,948)	-	311,323	4.16%

TRS 2/3
As of June 30
Last Five Fiscal Years

Year Ended June 30,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2018	$ 49,880	$ (49,880)	$ -	$ 650,223	7.67%
2017	38,741	(38,741)	-	573,979	6.75%
2016	33,794	(33,794)	-	418,067	8.08%
2015	20,107	(20,107)	-	353,651	5.69%
2014	17,326	(17,326)	-	311,323	5.57%

Lower Columbia Community College

Notes to Required Supplemental Information - State Sponsored Pension

As of June 30
Last Five Fiscal Years

Note 1: Information Provided

GASB 68 was implemented for the year ended June 30, 2014, therefore there is no data available for years prior to 2014.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

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	$	1,126,806
Interest cost		527,803
Difference between expected and actual experience		-
Changes in assumptions		(2,574,632)
Changes in benefit terms		-
Benefit payments		(268,976)
Changes in proportionate share		(841,668)
Other		-
Net Changes in Total OPEB Liability	$	(2,030,667)
Total OPEB Liability - Beginning	$	18,651,725
Total OPEB Liability - Ending	$	16,621,058
College's proportion of the Total OPEB Liability (%)		0.285300%
Covered-employee payroll	$	18,838,019
Total OPEB Liability as a percentage of covered-employee payroll		88.231454%

This schedule is to be built prospectively until it contains ten 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.