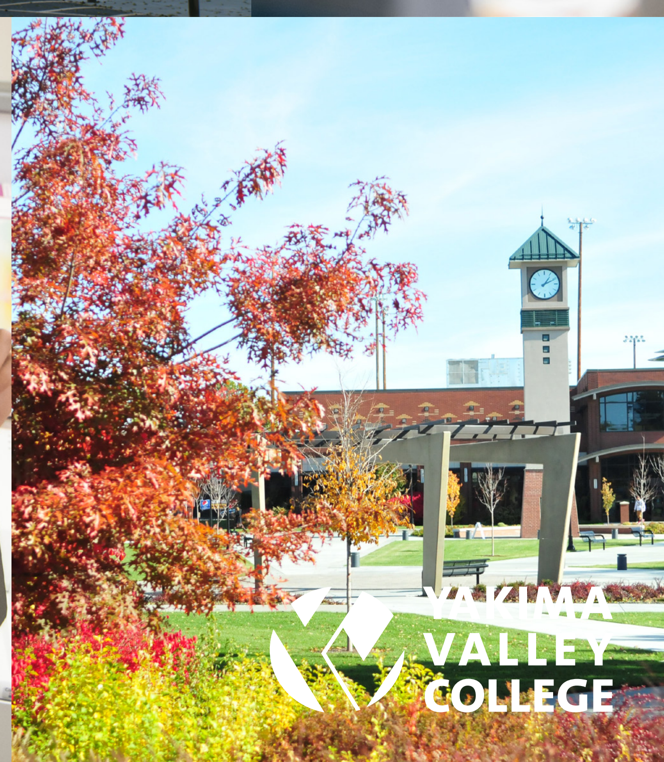
Yakima Valley College

2017-2018 Financial Report



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Yakima Valley College

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

Published February 28, 2019

Report No. 1023314

Office of the Washington State Auditor
Pat McCarthy

February 28, 2019

Board of Trustees
Yakima Valley College
Yakima, Washington

Report on Financial Statements

Please find attached our report on the Yakima Valley 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*

Yakima Valley College
July 1, 2017 through June 30, 2018

Board of Trustees
Yakima Valley College
Yakima, 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 unit of the Yakima Valley 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 February 20, 2019. As discussed in Note 1 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 Foundation of Yakima Valley College, 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 Yakima Valley College, an agency of the state of Washington, are intended to present the financial position, and the changes in the 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 unit. 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

February 20, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Yakima Valley College
July 1, 2017 through June 30, 2018

Board of Trustees
Yakima Valley College
Yakima, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely component unit of the Yakima Valley 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 Foundation of Yakima Valley College, which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component unit. 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 of Yakima Valley College, 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.

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 other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component unit of the Yakima Valley College, as of June 30, 2018, and the 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 1 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 Yakima Valley College, an agency of the state of Washington, are intended to present the financial position, and 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 unit. 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 February 20, 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

February 20, 2019

FINANCIAL SECTION

Yakima Valley College
July 1, 2017 through June 30, 2018

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

Yakima Valley College

The following discussion and analysis provides an overview of the financial position and activities of Yakima Valley 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

Yakima Valley 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 7,624 students. The College confers applied baccalaureate degrees, associates degrees, certificates and high school diplomas. The College was established in 1928 and its primary purpose is to enrich and enhance individuals and communities by delivering accessible, student-centered education. The College addresses the needs of its diverse communities by providing learning opportunities in basic literacy; academic, professional and technical education; and lifelong learning.

The College's main campus is located in Yakima, Washington, a community of about 95,000 residents. The College also has a campus in Grandview, Washington and learning centers in Ellensburg, Toppenish and Sunnyside, Washington. The College is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. In accordance with Washington State law governing technical colleges, the College's board includes one member from business and one member from labor. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

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

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

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

During 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB).* This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one year lag measurement date similar to GASB Statement No. 68. The change in accounting principle resulted in an adjustment to beginning net position in the amount of ($20,870,403).

Statement of Net Position

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

Yakima Valley College
Condensed Statement of Net Position
As of June 30, 2018

	2018	2017
Assets		
Current assets	13,775,773	30,976,788
Capital assets, net	97,218,112	96,090,841
Other assets, noncurrent	30,461,407	12,552,109
Total assets	**141,455,292**	**139,619,738**
Deferred outflows of resources		
Deferred outflows related to pensions	1,420,608	1,692,691
Deferred outflows related to OPEB	456,646	-
Total deferred outflows	**1,877,254**	**1,692,691**
Liabilities		
Current liabilities	5,694,469	3,408,525
Other liabilities, noncurrent	26,825,392	10,542,973
Total liabilities	**32,519,861**	**13,951,498**
Deferred inflows of resources		
Deferred inflows related to pensions	1,705,203	751,096
Deferred inflows related to OPEB	2,743,674	-
Total deferred inflows	**4,448,877**	**751,096**
Net position		
Investment in capital assets	97,218,113	96,090,842
Restricted	13,113,362	1,142,595
Unrestricted (deficit)	(3,967,666)	29,376,399
Total net position, as restated	**$ 106,363,809**	**$ 126,609,836**

Current assets consist primarily of cash, short-term investments and various accounts receivables. The significant decrease in current assets in FY 2018 can be attributed to matured investments and purchases of additional investments that are currently classified as long-term.

Net capital assets increased by $1,127,271 from FY 2017 to FY 2018. After taking into consideration current depreciation expense of $3,134,570, the majority of the increase is the result of the start of the West Campus Expansion project, completion of the Grandview Campus Entry project, the STEM remodel project, and various improvements and property purchases for future expansion.

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

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated with the implementation of GASB Statement No. 68 in FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018. The increase in deferred outflows reflect the College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) for pensions due to differences between expected and actual experience related to the actuarial assumptions, as well as the implementation of GASB Statement No 75. The College recorded $1,692,691 in FY 2017 and $1,877,254 in FY 2018 of pension and postemployment-related deferred outflows. The decrease in deferred outflows related to pensions reflects the change in proportionate share.

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

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year based on year end expenditures.

The significant increase in current liabilities for FY 2018 is due to the additional requirement of classifying a portion of the pension and OPEB liabilities as a short term liability.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and pension liability.

The College's non-current liabilities increased due to the implementation of GASB Statement No. 75, reflecting the College's proportionate share of the postemployment benefit liability for the State's OPEB.

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

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

Restricted-Nonexpendable - consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only.

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 expendable funds for the College consist of donated properties given to the College by the Estate of Margarita Hackett and the earned revenue from endowments restricted for scholarships.

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 Position As of June 30th	**FY 2018**	**FY 2017**
Investment in capital assets	97,218,113	96,090,842
Restricted		
Expendable	13,089,897	1,118,137
Nonexpendable	23,465	24,458
Unrestricted (deficit)	(3,967,666)	29,376,399
Total Net Position	**$ 106,363,809**	**$ 126,609,836**

The significant increase of $11,971,760 in Restricted-Expendable in FY 2018 is a result of a reevaluation and reclassification of the fund balances or portions of fund balances that should be considered restricted based on external restrictions or obligations. This amount was reclassified out of unrestricted.

The deficit of $3,967,666 in Unrestricted reflects the significant impact of GASB Statement No. 75 which decreased net position by $20,870,403. Despite this deficit due to reporting additional pension and post-employment benefit liabilities, the College continues to maintain a strong financial position.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position accounts for the College's changes in total net position during FY 2018. The objective of the statement is to present the revenues earned, both operating and non-operating and the expenses paid or incurred by the College, along with any other revenues, expenses, and gains and losses of the College.

Generally, operating revenues are earned by the College in exchange for providing goods and services. Tuition and grants and contracts are included in this category. In contrast, non-operating revenues include monies the college receives from another government entity without directly giving equal value to that government 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. When operating revenues, excluding state appropriations and Pell grants, are measured against operating expenses, the College shows an operating loss. The operating loss is reflective of the external funding necessary to keep tuition lower than the cost of the services provided.

A condensed comparison of the College's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2018 and 2017 is presented below.

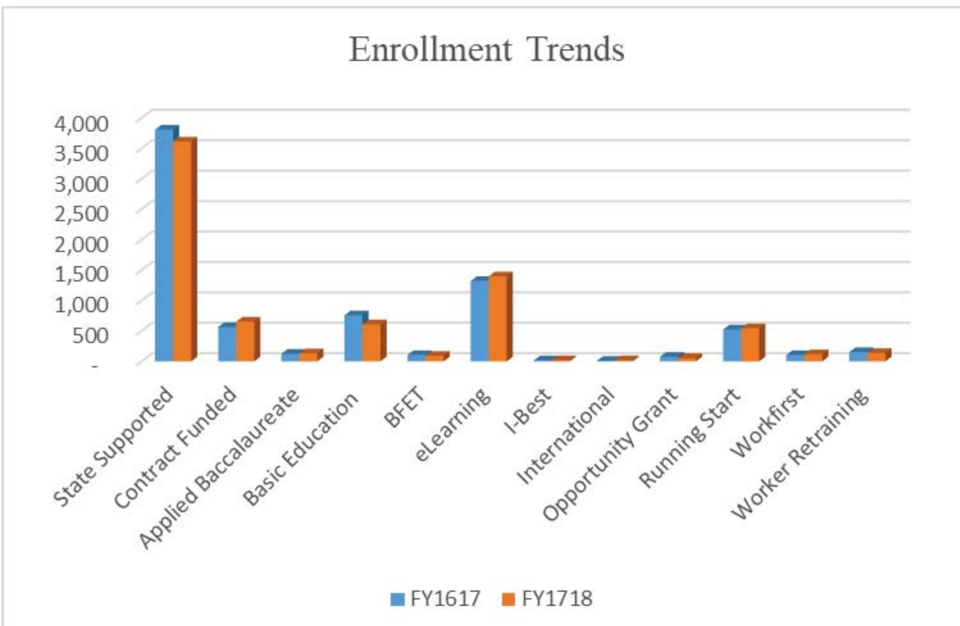
Condensed Statement of Revenues, Expenses, and Changes in Net Position As of June 30th	**FY 2018**	**FY 2017**
Operating revenues		
Student tuition and fees, net	8,756,401	9,247,068
Auxiliary enterprise sales	2,129,327	2,154,893
State and local grants and contracts	12,390,686	11,776,617
Federal grants and contracts	3,937,202	2,504,465
Other operating revenues	343,006	357,845
Total operating revenues	**27,556,622**	**26,040,888**
Operating expenses		
Salaries and wages	24,143,639	23,354,328
Benefits	9,645,139	7,937,144
Scholarships, net of discounts	12,177,807	11,167,859
Depreciation	3,134,570	3,034,162
Other operating expenses	6,960,245	9,295,109
Total operating expenses	**56,061,400**	**54,788,602**
Operating loss	**(28,504,778)**	**(28,747,714)**
Non-operating revenues		
State appropriations	19,965,153	20,224,666
Federal Pell grant revenue	10,003,887	9,341,037
Investment income, net	243,678	272,400
Non-operating expenses	(1,539,914)	(1,528,213)
Net non-operating revenues (expense)	**28,672,804**	**28,309,891**
Income (loss) before capital contributions	**168,026**	**(437,823)**
Capital appropriations and contributions	455,749	3,392,608
Change in net position	**623,776**	**2,954,785**
Net position, beginning of the year	126,609,836	126,412,423
Prior period adjustment	600.00	0
Cumulative effect of change in accounting principle	(20,870,403)	(2,757,372)
Net position, beginning of year, as restated	105,740,033	**123,655,051**
Net position, end of the year	**$ 106,363,809**	**$ 126,609,836**

Revenues

The State of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the 34 colleges based on three year average FTE actuals.

Since enrollments remained consistent in FY 2018, the College's decrease in tuition and fee revenue is primarily attributable to an increase in the discount for scholarships and fellowships resulting from an increase in Pell financial aid awards.

In FY 2017, the Legislature enacted the Affordable Education Act, which reduced tuition by five percent at the College. This reduced the amount of tuition revenue collected by the College. The Legislature did, however, provide funding for a portion of this loss.



Pell grant revenues generally follow enrollment trends, however, while the College's enrollment remained steady, the College's Pell grant revenue increased due to additional financial aid awards in FY 2018. The College attempted to hold other fees as stable as possible, resulting in only small changes in these revenues. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law.

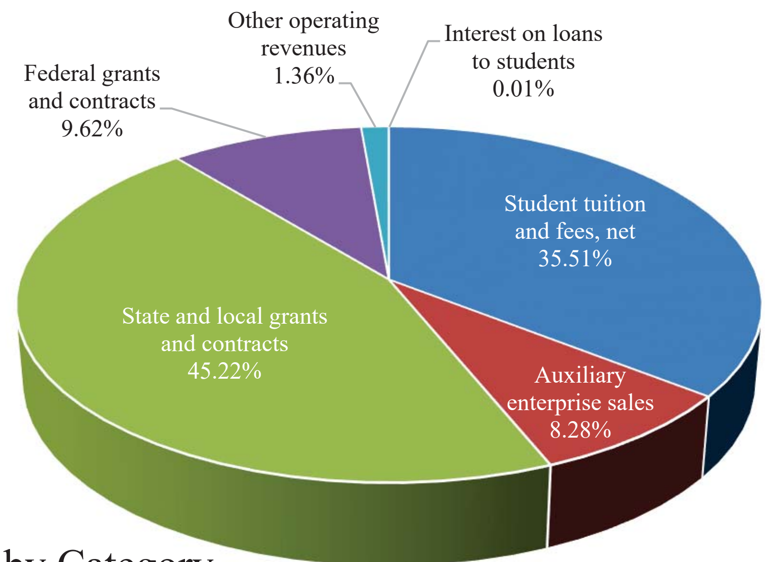
In FY 2018, grant and contract revenues increased by $2,046,806 when compared with FY 2017 due to new federal and state grants and additional grant expenses for capital projects. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College also serves contracted international students who are not supported by state dollars.

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

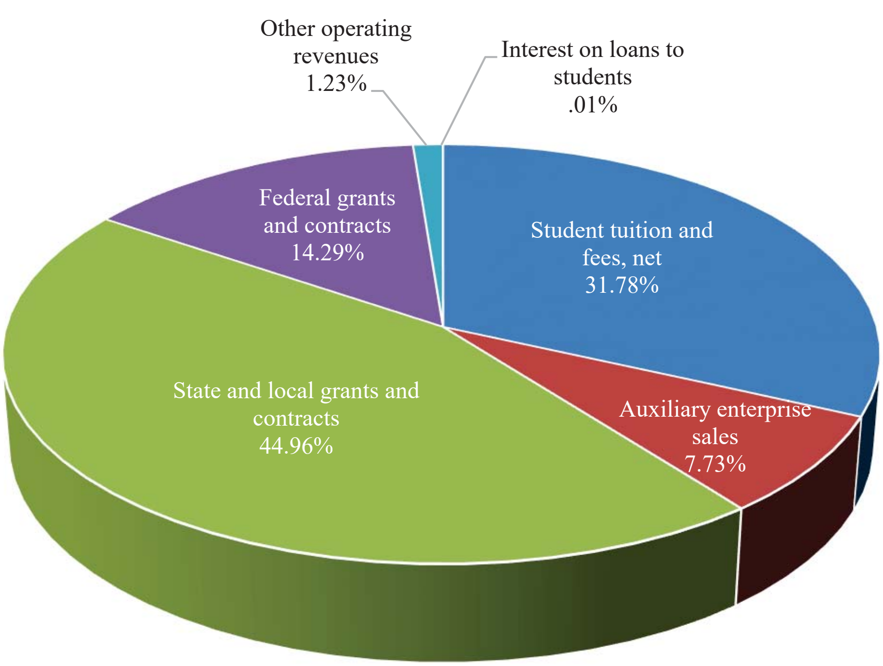
Comparison of Operative Revenue by Category

The following charts below show comparative Operating Revenue by Category for FY 2017 and FY 2018.

FY 17 Operating Revenue by Category



FY 18 Operating Revenue by Category



Expenses

Faced with budget cuts over the past six years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College has supplemented operations by planned usage of reserves.

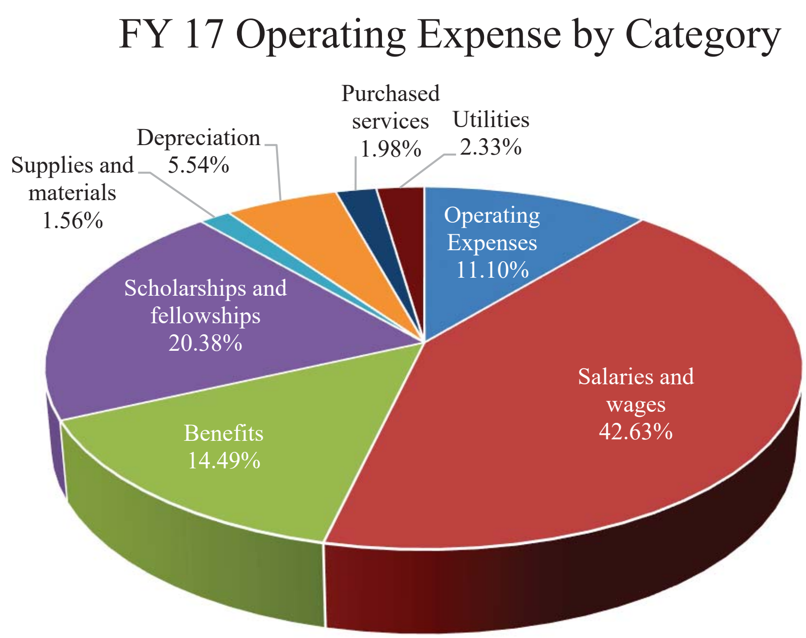
More recently, in FY 2018, overall operating expenses decreased by twenty-five percent due to a significant decrease in non-capitalized construction projects and the Moore vs. HCA payments incurred in FY 2017. Salary and benefit costs increased as a result of new positions, a two percent COLA salary increase approved by the Legislature, and additional pension expense due to the implementation of GASB Statement No. 75. Scholarships and fellowships increased due to an increase in grant scholarships and financial aid.

Utility costs increased as a result of general energy increase and usage. Supplies and materials are higher in FY 2018, primarily as a result of increased supplies and materials for Allied Health programs, grant activities, and instructional classes. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service.

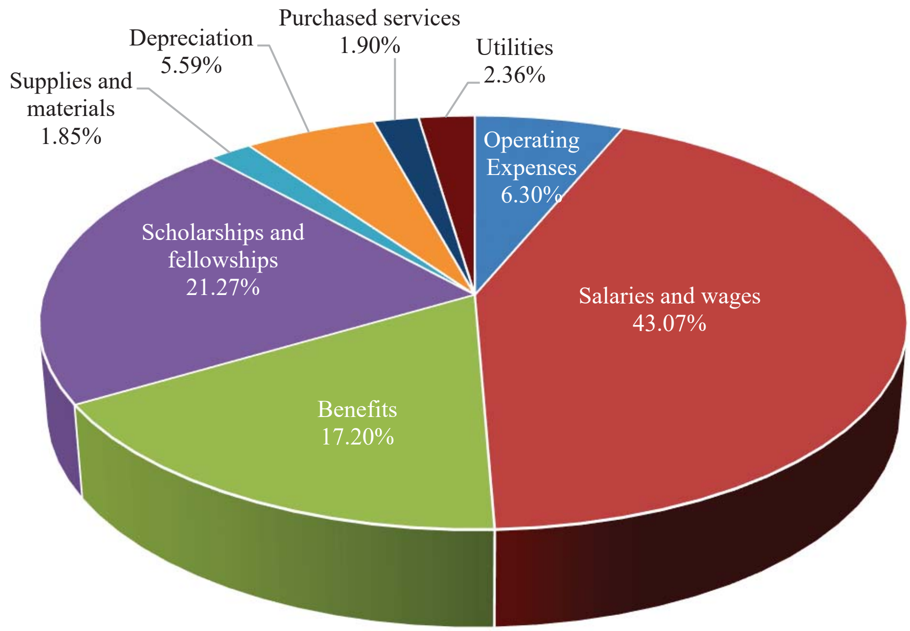
All other costs are reported as operating expenses. Examples include travel, equipment rentals, repairs or maintenance, insurance, software maintenances or leases, etc.

Comparison of Selected Operating Expenses by Category

The following charts show the comparative Operating Expenses by Category for FY 2017 and FY 2018:



FY 18 Operating Expense by Category



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 is expected to continue to impact the number of new projects that can be funded.

At June 30, 2018, the College had invested $97,218,112 in capital assets, net of accumulated depreciation. This represents an increase of $1,127,269 from last year, as shown in the table below.

Asset Type	June 30, 2018	June 30, 2017	Change
Land	8,985,809	8,917,092	68,717
Construction in Progress	3,737,573	252,392	3,485,181
Buildings, net	77,991,356	79,707,742	(1,716,386)
Other Improvements and Infrastructure, net	3,726,932	3,938,535	(211,603)
Equipment, net	2,562,110	2,987,498	(425,388)
Library Resources, net	214,332	287,583	(73,251)
Total Capital Assets, Net	**$ 97,218,112**	**$ 96,090,843**	**$ 1,127,269**

The increase in net capital assets can be attributed to the beginning of the West Campus Expansion project, completion of the Grandview Campus Entry project, STEM remodel project, and various improvements and property purchases for future campus expansions.

Economic Factors That May 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 2017, the Legislature enacted the Affordable Education Act, which reduced tuition by five percent at the College. This will further reduce the amount of tuition collected by the College. The Legislature did, however, backfill this loss. In FY 2017, the State Board for Community and Technical Colleges elected to move to a new allocation model, changing how 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 demand programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Due to the new allocation model and a decrease in enrollment, it is estimated that the College may likely see a decrease in state operating appropriations in future years; however, with new applied baccalaureate programs on the horizon, enrollments may increase to combat this possibility.

Yakima Valley College
Statement of Net Position
June 30, 2018

Assets		
Current assets		
Cash and cash equivalents		8,547,651
Short-term investments		3,007,857
Accounts receivable		2,195,623
Interest receivable		6,188
Prepaid expenses		18,454
Total current assets		13,775,773
Noncurrent assets		
Long-term investments		30,461,407
Land and construction in progress		12,723,382
Capital assets, net of depreciation		84,494,730
Total noncurrent assets		127,679,519
	Total assets	**141,455,292**
Deferred outflows of resources		
Deferred outflows related to pensions		1,420,608
Deferred outflows related to OPEB		456,646
	Total deferred outflows of resources	1,877,254
Liabilities		
Current liabilities		
Accounts payable		648,316
Accrued liabilities		1,080,635
Compensated absences, short term		614,871
Deposits payable		95,659
Unearned revenue		1,260,596
Total pension liability, short term		38,353
OPEB liability, short term		1,956,039
Total current liabilities		5,694,469
Noncurrent liabilities		
Compensated absences		1,421,148
Net pension liability		5,378,293
Total pension liability		2,055,608
OPEB liability		17,970,343
Total noncurrent liabilities		26,825,392
	Total liabilities	**32,519,861**
Deferred inflows of resources		
Deferred inflows related to pensions		1,705,203
Deferred inflows related to OPEB		2,743,674
	Total deferred inflows of resources	4,448,877
Net Position		
Investment in capital assets		97,218,113
Restricted for:		
Nonexpendable		23,465
Expendable		11,970,719
Student loans		1,119,178
Unrestricted (deficit)		(3,967,666)
	Total net position	**106,363,809**

The notes to the financial statement are an integral part of this statement

Yakima Valley College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

Operating Revenues	
Student tuition and fees, net	8,756,401
Auxiliary enterprise sales	2,129,327
State and local grants and contracts	12,390,686
Federal grants and contracts	3,937,202
Other operating revenues	339,468
Interest on loans to students	3,537
Total operating revenue	27,556,622
Operating Expenses	
Other expenses	3,530,953
Salaries and wages	24,143,639
Benefits	9,645,139
Scholarships and fellowships net of discounts and allowances (See Note 1)	12,177,807
Supplies and materials	1,037,547
Depreciation	3,134,570
Purchased services	1,067,721
Utilities	1,324,024
Total operating expenses	56,061,399
Operating income (loss)	(28,504,778)
Non-Operating Revenues (Expenses)	
State appropriations	19,965,153
Federal Pell grant revenue	10,003,887
Investment income, gains and losses	243,678
Building fee remittance	(1,235,232)
Innovation fund remittance	(304,682)
Net non-operating revenues (expenses)	**28,672,804**
Income or (loss) before capital appropriations	168,026
Capital appropriations	455,749
Increase (decrease) in net position	623,776
Net Position	
Net position, beginning of year	126,609,836
Prior Period Adjustment (See Note 2)	600
Cumulative effect of change in accounting principle (See Note 2)	(20,870,403)
Net position, beginning of year, as restated	105,740,033
Net position, end of year	106,363,809

The notes to the financial statement are an integral part of this statement

Yakima Valley College
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flow from operating activities	
Student tuition and fees	8,870,938
Grants and contracts	16,135,967
Payments to vendors	(1,978,144)
Payments for utilities	(1,243,102)
Payments to employees	(24,123,983)
Payments for benefits	(8,698,358)
Auxiliary enterprise sales	2,125,872
Payments for scholarships and fellowships	(12,177,807)
Loans issued to students and employees	3,537
Other receipts (payments)	(3,105,768)
Net cash used by operating activities	(24,190,848)
Cash flow from noncapital financing activities	
State appropriations	19,494,495
Pell grants	10,003,887
Building fee remittance	(1,233,939)
Innovation fund remittance	(304,578)
Net cash provided by noncapital financing activities	27,959,864
Cash flow from capital and related financing activities	
Capital appropriations	631,975
Purchases of capital assets	(4,261,241)
Net cash used by capital and related financing activities	(3,629,266)
Cash flow from investing activities	
Purchase of investments	(2,226,155)
Income of investments	243,678
Net cash provided by investing activities	(1,982,476)
Increase in cash and cash equivalents	(1,842,726)
Cash and cash equivalents at the beginning of the year	10,390,377
Cash and cash equivalents at the end of the year	8,547,651
Reconciliation of operating loss to net cash used by operating activities	
Operating Loss	(28,504,778)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	3,134,570
Changes in assets and liabilities	
Receivables, net	(69,968)
Other assets	(45,910)
Accounts payable	254,746
Accrued liabilities	(25,186)
Unearned revenue	129,589
Compensated absences	4,493
Pension liability adjustment expense	940,429
Deposits payable	(8,834)
Net cash used by operating activities	(24,190,848)
Noncash capital, financial and investing activities	
Unrealized loss on investments	262,744

The notes to the financial statement are an integral part of this statement

Foundation of Yakima Valley College
Statement of Financial Position
June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Cash and cash equivalents	$ -	$ 996,182	$ -	$ 996,182
Marketable securities	(147,817)	3,322,738	7,457,315	10,632,236
Certificates of deposit	-	466,075	-	466,075
Total assets	$ (147,817)	$ 4,784,995	$ 7,457,315	$ 12,094,493
Liabilities and Net Assets				
Liabilities				
Scholarships payable	$ 654,500	$ -	$ -	$ 654,500
Accrued liabilities	2,066	-	-	2,066
Due to related organizations	-	15,512	-	15,512
Total liabilities	656,566	15,512	-	672,078
Total net assets	(804,383)	4,769,483	7,457,315	11,422,415
Total liabilities and net assets	$ (147,817)	$ 4,784,995	$ 7,457,315	$ 12,094,493

Foundation of Yakima Valley College
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:				
Contributions	$ 5	$ 171,606	$ 73,249	$ 244,860
Administrative fees	150,233	-	-	150,233
Interest income	-	274,309	-	274,309
Dividend income	-	227,072	-	227,072
Realized/unrealized gain on investments	-	386,630	-	386,630
Net assets released from restrictions	755,278	(755,278)	-	-
Total revenues, gains, and support	905,516	304,339	73,249	1,283,104
Expense				
Scholarships and awards	627,415	-	-	627,415
Commissions and other investment fees	65,514	-	-	65,514
Administrative fees	150,233	-	-	150,233
Salaries and benefits	44,919	-	-	44,919
Professional services	17,000	-	-	17,000
Insurance	1,715	-	-	1,715
Supplies	1,346	-	-	1,346
Licenses and permits	75	-	-	75
Travel and meetings	757	-	-	757
Total expenses	908,974	-	-	908,974
Changes in Net Assets	(3,458)	304,339	73,249	374,130
Net Assets, Beginning of the Year	(800,925)	4,465,144	7,384,066	11,048,285
Net Assets, End of the Year	$ (804,383)	$ 4,769,483	$ 7,457,315	$ 11,422,415

Notes to the Financial Statements

June 30, 2018
These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Yakima Valley College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers applied baccalaureate degrees, 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 Yakima Valley College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1977 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to encourage, promote and support educational programs and scholarly pursuits at or in connection with the College. 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 discrete component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. 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. 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 $500,604 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Office at 509-574-4645.

Basis of Presentation

The financial statements have been prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* as amended by GASB Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities.* For financial reporting purposes, the College is considered a special-purpose government engaged only in Business Type Activities (BTA). In accordance with BTA reporting, the College presents a Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial

Statements. The format provides a comprehensive, entity-wide perspective of the college's assets, deferred inflows, liabilities, deferred outflows, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting

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

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

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. Endowment investments are classified as non-current assets. The College records all cash, cash equivalents and investments at fair value.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis to the amount of operating cash being held by the fund. The internal investment pool is comprised of cash, cash equivalents, and U.S. Government Agency securities.

Accounts Receivable

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

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 be misleading.

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB No. 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 range from 15 to 50 years for buildings and improvements, 3 to 50 years for improvements other than buildings, 7 years for library resources, and 2 to 10 years for most equipment.

The college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2018, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. Unearned revenues also include tuition and fees paid with financial aid funds. The College has recorded summer quarter tuition and fees, housing deposits, and summer quarter (July – September) housing revenue as unearned revenues.

Tax Exemption

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

Net Pension Liability

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

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

In FY18, 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 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 position liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability/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 Loans. The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.

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

Unrestricted. These represent resources derived from student tuition and fees, 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 practice is to first apply the expense towards restricted resources and then towards unrestricted resources.

Classification of Revenues and Expenses

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

Operating Revenues. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts that primarily support the operational/educational activities of the College. Examples include a contract with OSPI to offer Running Start. 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 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 Statement 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 $6,270,273.

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

Building and Innovation Fee Remittance

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

2. Accounting and Reporting Changes

Reporting Changes

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

Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB),* the College has a deficit unrestricted net position of $5,034,777. 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.

Change in Accounting Principle

Beginning net position was restated by ($20,870,403) in FY 2018 as a result of implementing GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).*

Prior Period Adjustment

A prior period adjustment of $600 was also made to the beginning net position for a recapture of a prior period capital expense.

Accounting Standard Impacting the Future

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

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

3. Cash and Investments

Cash and cash equivalents include bank demand deposits, petty cash held at the College, and unit shares in the Local Government Investment Pool (LGIP).

The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at fair value or amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates. For purposes of the statement of cash flows, the College considers all highly liquid investments in the LGIP to be cash equivalents.

The LGIP portfolio is invested in a manner that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that wish to measure all of its investments at amortized costs. The

LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP.

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

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

As of June 30, 2018, the carrying amount of the College's cash and equivalents was $8,547,651 as represented in the table below.

Cash and Cash Equivalents	June 30, 2018
Petty Cash and Change Funds	3,067
Bank Demand and Time Deposits	6,729,262
Local Government Investment Pool	1,815,322
Total Cash and Cash Equivalents	**$ 8,547,651**

Investments consist of U.S. Government Agency securities.

Investment Maturities	Fair Value	One Year or Less	1 - 5 Years
U.S. Government Agency Securities	33,469,263	3,007,857	30,461,406
Total Investments	**$ 33,469,263**	**$ 3,007,857**	**$ 30,461,406**

Custodial Credit Risks—Deposits

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

Interest Rate Risk—Investments

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

Concentration of Credit Risk—Investments

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

Custodial Credit Risk—Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2018, $33,445,798 of the College's operating fund investments, held by US Bank and Key Bank as agents for the College and $23,465 of endowment assets, held by US Bank for the account of the College, are exposed to custodial credit risk as follows:

Investments Exposed to Custodial Risk	Fair Value
US Bank - Bond 59 FHLB 10/24/19	289,370
US Bank - Bond 60 FICO 12/27/18	1,025,866
US Bank - Bond 62 FNMA 4/29/19	991,500
US Bank - Bond 64 FFCB 8/19/19	1,479,816
US Bank - Bond 65 RFC 10/15/19	1,999,609
US Bank - Bond 66 FMAC 09/20/19	1,968,024
US Bank - Bond 67 FNMA 09/27/19	984,120
US Bank - Bond 68 FNMA 03/30/20	980,106
US Bank - Bond 69 FMAC 08/25/20	972,113
US Bank - Bond 70 FHLM 02/28/20	979,399
US Bank - Bond 71 FHLC 03/29/19	990,491
US Bank - Bond 72 RFCS 07/15/20	993,012
US Bank - Bond 73 RFCS 01/15/21	986,271
US Bank - Bond 74 RFCS 07/15/20	1,983,180
Key Bank - Bond 75 FHLN 12/10/21	971,993
Key Bank - Bond 76 FHLN 12/08/21	962,314
US Bank - Bond 77 FFCB 10/05/21	1,947,446
US Bank - Bond 78 RFCS 10/15/20	1,996,614
US Bank - Bond 79 RFCS 01/15/21	2,984,914
US Bank - Bond 80 FHLM 11/25/19	985,146
US Bank - Bond 81 RFCS 10/15/20	1,999,435
US Bank - Bond 82 RFCS 07/15/20	1,998,355
US Bank - Bond 83 RFCS 01/15/21	2,001,440
US Bank - Bond 84 RFCS 09/01/21	998,729
Total Investments Exposed to Custodial Risk	**$ 33,469,263**

Investment Expenses

Under implementation of GASB 35, investment income for the College is shown net of investment expenses. The College incurred $1,274 in investment expenses for the fiscal year ended June 30, 2018.

4. Accounts Receivable

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

Accounts Receivable		Amount
Student Tuition and Fees		268,245
Due from the Federal Government		255,502
Due from Other State Agencies		545,250
Auxiliary Enterprises		134,832
Other		1,103,639
Subtotal		**2,307,468**
Less Allowance for Uncollectible Accounts		(111,845)
Accounts Receivable, net	**$**	**2,195,623**

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2018 is presented on the following page. The current year depreciation expense was $3,134,570.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Non-depreciable capital assets				
Land	8,917,091	68,717		8,985,808
Construction in progress	252,392	3,485,182		3,737,574
Total non-depreciable capital assets	**9,169,483**	**3,553,899**	**-**	**12,723,382**
Depreciable capital assets				
Buildings	107,931,625	259,500	(244,692)	107,946,433
Other improvements and infrastructure	6,159,706	16,218		6,175,924
Equipment	8,696,954	409,466		9,106,420
Library resources	760,766	22,758	(111,466)	672,058
Subtotal depreciable capital assets	**123,549,051**	**707,942**	**(356,158)**	**123,900,835**
Less accumulated depreciation				
Buildings	28,223,882	1,975,888	(244,692)	29,955,078
Other improvements and infrastructure	2,221,172	227,818		2,448,990
Equipment	5,709,456	834,854		6,544,310
Library resources	473,182	96,008	(111,466)	457,724
Total accumulated depreciation	**36,627,692**	**3,134,568**	**(356,158)**	**39,406,102**
Total depreciable capital assets	**86,921,359**	**(2,426,626)**	**-**	**84,494,733**
Capital assets, net of accumulated depreciation	**$ 96,090,842**	**$ 1,127,273**	**$ -**	**$ 97,218,113**

6. Accounts Payable and Accrued Liabilities

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

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	746,537
Accounts Payable	382,115
Amounts Held for Others and Retainage	600,299
Total	**$ 1,728,951**

7. Unearned Revenue

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

Unearned Revenue	Amount
Summer Quarter Tuition & Fees	1,073,834
Housing and Other Deposits	186,762
Total Unearned Revenue	**$ 1,260,596**

8. Risk Management

The College is exposed to various risks 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 $28,990. Cash reserves for unemployment compensation for all employees at June 30, 2018, were $85,734.

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

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

9. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25 percent of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $969,630 and accrued sick leave totaled $1,066,389 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.

10. Schedule of Long-Term Liabilities

	Balance outstanding 6/30/17	Additions	Reductions	Balance outstanding 6/30/18	Current portion
Compensated Absences	2,029,326	1,048,239	(1,041,546)	2,036,019	614,871
Pension Liability	9,101,021	1,734,972	(3,363,738)	7,472,255	38,353
OPEB Liability	-	19,926,382		19,926,382	1,956,039
Total	**$ 11,130,347**	**$ 22,709,593**	**$ (4,405,284)**	**$ 29,434,656**	**$ 2,609,263**

11. Pension Liability

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

Pension Liability by Plan		
PERS 1		2,639,278
PERS 2/3		2,345,892
TRS 1		303,008
TRS 2/3		90,116
SBRP		2,093,961
Total	**$**	**7,472,255**

12. Retirement Plans

A. General

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

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

Covered Payroll by Plan		
PERS	$	6,908,754
TRS		659,005
SBRP		13,717,762
Total Covered Payroll	**$**	**21,285,521**

Basis of Accounting

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

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

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	7,472,254
Deferred outflows of resources related to pensions	1,420,608
Deferred inflows of resources related to pensions	1,705,203
Pension expense/expenditures	(591,870)

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

PERS and TRS

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

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

The College also has two faculty members with pre-existing eligibility who continue to participate in TRS 2.

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

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

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

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2018, 2017 and 2016 are as follows:

Contribution Rates at June 30

	FY 2016		FY 2017		FY 2018	
	Employee	College	Employee	College	Employee	College
PERS						
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%

Contribution Rates at June 30

	FY 2016		FY 2017		FY 2018	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	12,089	317,511	10,270	334,577	8,307	357,882
Plan 2	297,999	303,394	308,347	313,889	385,851	391,603
Plan 3	93,234	82,135	103,076	98,501	104,952	115,497
TRS						
Plan 1	784	24,632	798	35,072	572	47,719
Plan 2	6,140	8,731	6,316	6,613	2,876	3,192
Plan 3	29,114	34,095	32,445	26,737	45,465	47,252

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

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

For the year ended June 30, 2017, the annual money-weighted rate of return on the pension investments, net of pension plan expenses are as follows:

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

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

The PERS and TRS target asset allocation and long-term expected real rate of return as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
Total	**100%**	

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

Pension Expense. Pension expense is included as part of "Employee Benefits" expense in the Statement of Revenues, Expenses and Changes in Net Position. The table below shows the components of each pension plans expense as it affected employee benefits:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Actuarially determined pension expense	164,744	326,194	19,481	32,399	542,818
Amortization of change in proportionate share of liability	(19,247)	44,392	(29,505)	6,791	2,431
Total Pension Expense	**$ 145,497**	**$ 370,586**	**$ (10,024)**	**$ 39,190**	**$ 545,249**

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

	2016	2017	Net Change
PERS 1	.055989%	.0556214%	-.000368%
PERS 2/3	.066783%	.0675170%	.000734%
TRS 1	.010915%	.0100225%	-.000892%
TRS 2/3	.010504%	.0097640%	-.000740%

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 http://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 net pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements.

Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability).

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

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

Pension Plan	1% Decrease	Current Discount Rate	1% Increase
PERS Plan 1	3,215,144	2,639,277	2,140,453
PERS Plan 2/3	6,320,081	2,345,893	(910,365)
TRS Plan 1	376,784	303,008	239,150
TRS Plan 2/3	306,067	90,116	(85,276)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2018:

	PERS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	98,490
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	360,044	-
Totals	**$ 360,044**	**$ 98,490**

	PERS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	237,694	77,152
Difference between expected and actual earnings of pension plan investments	-	625,359
Changes of assumptions	24,918	-
Changes in College's proportionate share of pension liabilities	69,917	-
Contributions subsequent to the measurement date	506,571	-
Totals	**$ 839,100**	**$ 702,511**

	TRS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	12,837
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	47,201	-
Totals	**$ 47,201**	**$ 12,837**

	TRS 2/3			
	Deferred Outflows		Deferred Inflows	
Difference between expected and actual experience		22,472		4,597
Difference between expected and actual earnings of pension plan investments		-		32,613
Changes of assumptions		1,062		-
Changes in College's proportionate share of pension liabilities		24,336		7,278
Contributions subsequent to the measurement date		49,403		-
Totals	**$**	**97,272**	**$**	**44,488**

The $1,343,617 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 ending June 30, 2019.

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

Year ended June 30		PERS 1		PERS 2/3		TRS 1		TRS 2/3
2019		(66,573)		(215,057)		(9,429)		(5,987)
2020		21,018		82,600		3,530		12,011
2021		(4,880)		(48,765)		(314)		4,201
2022		(48,055)		(247,233)		(6,624)		(11,184)
2023		-		25,423		-		904
Thereafter		-		33,050		-		3,437
Total Net Deferred (Inflows)/Outflows	**$**	**(98,490)**	**$**	**(369,982)**	**$**	**(12,837)**	**$**	**3,382**

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

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

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5 percent, 7.5 percent or 10 percent of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2018 were each $1,170,903.94.

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

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

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

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

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2018, supplemental benefits were paid by the SBCTC on behalf of the College in the amount of $1,300,000. The College's share of this amount was $31,227. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2018, the College paid into this fund at a rate of 0.50 percent of covered salaries, totaling $68,551. This amount was not used as a part of GASB No. 73 calculations; its status as an asset has not been determined by the Legislature. As of June 30, 2018, the Community and Technical College system accounted for $16,351,270 of the fund balance.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016. Update procedures were used to roll forward the total pension liability to the June 30, 2018 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

Pension Expense. For the year ended June 30, 2018, the College reported $15,394 for pension expense in the State Board Supplemental Retirement Plans.

Proportionate Share (%)		**2.40%**
Service Cost		91,927
Interest Cost		84,481
Amortization of Differences Between Expected and Actual Experience		(111,312)
Amortization of Changes of Assumptions		(29,473)
Changes of Benefit Terms		-
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		**35,623**
Amortization of the Change in Proportionate Share of TPL		10,998
Total Pension Expense	**$**	**46,621**

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for fiscal year ending June 30, 2018, was 2.40 percent. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating colleges. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the table on the following page:

Proportionate Share (%) 2017		**2.33%**
Proportionate Share (%) 2018		**2.40%**
Total Pension Liability - Ending 2017		2,214,761
Total Pension Liability - Beginning 2018		2,283,173
Total Pension Liability - Change in Proportion		68,412
Total Deferred Inflow/Outflows - 2017		633,694
Total Deferred Inflow/Outflows - 2018		653,268
Total Deferred Inflows/Outflows - Change in Proportion		19,574
Total Change in Proportion	**$**	**87,986**

Plan Membership. Membership of the State Board Supplemental Retirement Plans consisted of the following at 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)	240	90	0	330

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

Schedule of Changes in Total Pension Liability		
		Amount
Service Cost		91,927
Interest		84,481
Changes of Benefit Terms		-
Differences Between Expected and Actual Experience		(249,864)
Changes in Assumptions		(84,529)
Benefit Payments		(31,227)
Change in Proportionate Share of TPL		68,412
Other		-
Net Change in Total Pension Liability		(120,800)
Total Pension Liability - Beginning		2,214,761
Total Pension Liability - Ending	**$**	**2,093,961**

Sensitivity of the Total Pension Liability/(Asset) 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 one percentage point lower (2.87 percent) or one percentage point higher (4.87 percent) than the current rate:

1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
$ 2,388,336	$ 2,093,961	$ 1,849,117

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

Supplemental Benefit Retirement Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	-	667,080
Changes of Assumptions	-	179,795
Transactions Subsequent to the Measurement Date	-	-
Total	**$ -**	**$ 846,876**

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

State Board Supplemental Retirement Plan

FY Ending	Pension Expense
2019	(129,787)
2020	(129,787)
2021	(129,787)
2022	(129,787)
2023	(129,787)
Thereafter	(120,951)

D. Defined Contribution Plans

Public Employees' Retirement System Plan 3

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

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

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

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

Teachers' Retirement System Plan 3

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

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

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

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

Washington State Deferred Compensation Program

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

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 accumulated in a qualifying trust. 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	416
Retirees Receiving Benefits*	110
Retirees Not Receiving Benefits**	21
Total Active Employees and Retirees	546

*Enrollment data for June, 2017 from Report 1: PEBB Total Member Enrollment for June 2017 Coverage report. PEBB Retirees only.
**This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future.

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

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

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

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

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

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

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

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

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 $19,926,382. 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 Percentage	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:

Yakima Valley College

Proportionate Share (%)		0.3420355166%
Service Cost		1,350,887
Interest Cost		632,764
Differences Between Expected and Actual Experience		-
Changes in Assumptions*		(3,086,633)
Changes of Benefit Terms		-
Benefit Payments		(322,467)
Changes in Proportionate Share		161,399
Other		-
Net Change in Total OPEB Liability		(1,264,050)
Total OPEB Liability - Beginning		21,190,432
Total OPEB Liability - Ending	**$**	**19,926,382**

*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
$ 24,312,646	$ 19,926,382	$ 16,532,118

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

Health Care Cost Trend Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 16,097,774	$ 19,926,382	$ 25,064,715

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 $1,658,354. OPEB expense consists of the following elements:

Proportionate Share (%)	**0.3420355166%**
Service Cost	1,350,887
Interest Cost	632,764
Amortization of Differences Between Expected and Actual Experience	-
Amortization of Changes in Assumptions	(342,959)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	17,662
Administrative Expenses	-
Total OPEB Expense	**$ 1,658,354**

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

Proportionate Share (%)		**0.3420355166%**
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience	-	-
Changes in assumptions	2,743,674	-
Transactions subsequent to the measurement date	-	315,348
Changes in proportion		141,299
Total Deferred Inflows/Outflows	**$ 2,743,674**	**$ 456,647**

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

Proportionate Share (%)	**0.3420355166%**
2019	$ (325,297)
2020	$ (325,297)
2021	$ (325,297)
2022	$ (325,297)
2023	$ (325,297)
Thereafter	$ (975,890)

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 table below:

Proportionate Share (%) 2016		**0.3394500743%**
Proportionate Share (%) 2017		**0.3420355166%**
Total OPEB Liability - Ending 2016		21,190,432
Total OPEB Liability - Beginning 2017		21,351,831
Total OPEB Liability Change in Proportion		161,399
Total Deferred Inflows/Outflows - 2016		320,029
Total Deferred Inflows/Outflows - 2017		322,467
Total Deferred Inflows/Outflows Change in Proportion		2,438
Total Change in Proportion	**$**	**158,961**

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.

Expenses by Functional Classification		
Instruction		19,634,895
Academic Support Services		4,284,093
Student Services		6,176,182
Institutional Support		5,182,215
Operations and Maintenance of Plant		4,516,198
Scholarships and Other Student Financial Aid		11,156,371
Auxiliary Enterprises		2,039,398
Depreciation		3,072,047
Total operating expenses	**$**	**56,061,399**

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 $25,440,070 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings. A future Certificate of Participation (COP) will account for $22,700,000 of these commitments.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Yakima Valley College's Proportionate Share of the Net Pension Liability

Schedule of Yakima Valley College's Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.058736%	$ 2,958,854	$ 5,961,718	49.63%	61.19%
2015	0.056501%	$ 2,955,528	$ 6,137,320	48.16%	59.10%
2016	0.055989%	$ 2,928,745	$ 6,436,652	45.50%	57.03%
2017	0.055621%	$ 3,006,873	$ 6,790,590	44.28%	61.24%
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Yakima Valley College's Proportionate Share of the Net Pension Liability

Schedule of Yakima Valley College's Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.064745%	$ 1,308,730	$ 5,603,855	23.35%	93.29%
2015	0.061170%	$ 2,362,399	$ 5,866,535	40.27%	89.20%
2016	0.066783%	$ 2,386,195	$ 6,235,164	38.27%	85.82%
2017	0.067517%	$ 3,362,471	$ 6,619,420	50.80%	90.97%
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Yakima Valley College’s Proportionate Share of the Net Pension Liability

Schedule of Yakima Valley College's Share of the Net Pension Liability Teachers’ Retirement System (TRS) Plan 1 Measurement Date of June 30					
Fiscal Year	College’s proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College’s proportionate share of the net pension liability as a percentage of its covered payroll	Plan’s fiduciary net position as a percentage of the total pension liability
2014	0.006949%	$ 204,958	$ 298,791	68.60%	68.77%
2015	0.007460%	$ 236,343	$ 353,980	66.77%	65.70%
2016	0.010915%	$ 345,803	$ 527,068	65.61%	62.07%
2017	0.010023%	$ 372,664	$ 548,621	67.93%	65.58%
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Yakima Valley College's Proportionate Share of the Net Pension Liability

Schedule of Yakima Valley College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.006665%	$ 21,527	$ 282,941	7.61%	96.81%
2015	0.007319%	$ 61,758	$ 341,300	18.09%	92.48%
2016	0.010504%	$ 88,633	$ 514,008	17.24%	88.72%
2017	0.009764%	$ 144,251	$ 535,321	26.95%	93.14%
2018					
2019					
2020					
2021					
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions

Public Employees' Retirement System (PERS) Plan 1

Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2015	$ 259,678	$ 259,678	$ -	$ 6,137,320	4.23%
2016	$ 317,511	$ 317,511	$ -	$ 6,436,652	4.93%
2017	$ 334,577	$ 334,577	$ -	$ 6,790,590	4.93%
2018	$ 357,882	$ 357,882	$ -	$ 6,908,754	5.18%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2015	$ 294,521	$ 294,521	$ -	$ 5,866,535	5.02%
2016	$ 385,529	$ 385,529	$ -	$ 6,235,164	6.18%
2017	$ 412,390	$ 412,390	$ -	$ 6,619,420	6.23%
2018	$ 507,101	$ 507,101	$ -	$ 6,770,302	7.49%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2015	$ 16,693	$ 16,693	$ -	$ 353,980	4.72%
2016	$ 24,632	$ 24,632	$ -	$ 527,068	4.67%
2017	$ 35,072	$ 35,072	$ -	$ 548,621	6.39%
2018	$ 47,719	$ 47,719	$ -	$ 659,005	7.24%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2015	$ 19,449	$ 19,449	$ -	$ 341,300	5.70%
2016	$ 42,826	$ 42,826	$ -	$ 514,008	8.33%
2017	$ 35,974	$ 35,974	$ -	$ 535,321	6.72%
2018	$ 50,444	$ 50,444	$ -	$ 649,470	7.77%
2019					
2020					
2021					
2022					
2023					

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

State Board Supplemental Defined Benefits Plans

Schedule of Changes in the Total Pension Liability and Related Ratios Yakima Valley College Fiscal Year Ended June 30		
	2017	2018
Total Pension Liability		
Service Cost	$ 126,216	$ 91,927
Interest	81,876	84,481
Changes of benefit terms	-	-
Differences between expected and actual experience	(590,329)	(249,864)
Changes of assumptions	(139,334)	(84,529)
Benefit Payments	(21,017)	(31,227)
Change in proportionate share of total pension liability		68,412
Other (rounding difference)	-	96
Net Change in Total Pension Liability	**(542,587)**	**(120,704)**
Total Pension Liability - Beginning	**2,757,252**	**2,214,665**
Total Pension Liability - Ending	**$ 2,214,665**	**$ 2,093,961**
College's Proportion of the Pension Liability	2.33%	2.40%
Covered-employee payroll	$ 13,024,256	$ 13,717,762
Total Pension Liability as a percentage of covered-employee payroll	17.0042%	15.2646%

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

Notes to Required Supplementary Information

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

Required Supplementary Information

Other Postemployment Benefits Information

Schedule of Changes in Total OPEB Liability and Related Ratios Yakima Valley College Fiscal Year Ended June 30		
Total OPEB Liability		**2018**
Service cost	$	1,350,887
Interest cost		632,764
Difference between expected and actual experience		-
Changes in assumptions		(3,086,633)
Changes in benefit terms		-
Benefit payments		(322,467)
Changes in proportionate share		161,399
Other		-
Net Changes in Total OPEB Liability	$	(1,264,050)
Total OPEB Liability - Beginning	$	21,190,432
Total OPEB Liability - Ending	$	19,926,382
College's proportion of the Total OPEB Liability (%)		0.342036%
Covered-employee payroll	$	21,086,125
Total OPEB Liability as a percentage of covered-employee payroll		94.499973%

*This schedule is to be built prospectively until it contains 10 years of data.

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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