COMMUNITY COLLEGES OF SPOKANE

(a component until of the State of Washington)

Financial Statements

June 30, 2020

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Davis Farr
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Trustees
Community Colleges of Spokane
Spokane, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Community Colleges of Spokane (CCS), Spokane County, Washington, a component unit of the State of Washington, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise CCS's basic financial statements as listed in the table of contents.

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 District 17 Community Colleges Foundation (the Foundation), which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements, which were prepared in accordance with accounting principles generally accepted in the United States of America as issued by the Financial Accounting Standards Board, were audited by other auditors, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the Foundation, which conform those financial statements to accounting principles generally accepted in the United States of America as issued by the Governmental Accounting Standards Board. Our opinion, insofar as it relates to the amounts included for the Foundation, prior to these conversion adjustments, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units of CCS as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2020 reflect certain prior period adjustments as described further in note 20 to the financial statements. 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*, *Schedule of Proportionate Share of Net Pension Liability, Schedule of Employer Contributions-Pensions*, *Schedule of Changes in Total Pension Liability and Related Ratios*, *Schedule of Employer Contributions-Supplemental*, and *Schedule of Changes in Total OPEB Liability and Related Ratios* 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CCS's basic financial statements. The *Segmented Schedules* and the *Trustees and Administrative Officers* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *Segmented Schedules* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Combining Schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The *Trustees and Administrative Officers* has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022 on our consideration of CCS'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 solely 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 CCS's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
April 29, 2022

Trustees and Officer list effective as of June 30, 2020:

BOARD OF TRUSTEES

EXECUTIVE OFFICERS

Community Colleges of Spokane
The following discussion and analysis provides an overview of the financial position and activities of Community Colleges of Spokane (CCS or the District) for the fiscal year (FY) ended June 30, 2020 (FY 2020).

This overview provides readers with an objective and easily readable analysis of the CCS'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 CCS's financial statements and accompanying note disclosures.

Reporting Entity
Community Colleges of Spokane is one of thirty public community and technical college Districts in the state of Washington. CCS serves six counties and approximately 30,000 students in Eastern Washington at two main campuses, as well as at six centers located throughout the District. CCS confers associates degrees, limited bachelor's degrees, certificates, and high school diplomas. CCS was established in 1963 and its mission is "To develop human potential through quality, relevant and affordable learning opportunities that result in improved social and economic well-being for our students and our state".

CCS's main campuses are located in Spokane, Washington, a community of about 230,000 residents and part of a metropolitan area of over 573,000. Spokane Community College (SCC) and its five rural centers focuses on career-technical programs, adult basic education and work force training, as well as college transfer opportunities. Spokane Falls Community College (SFCC) and its one center in Pullman offers an extensive array of college transfer associates degrees as well as professional technical programs. A bachelor's degree program launched in the fall of 2016. CCS is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the District, except as otherwise provided by law.

Using the Financial Statements
The financial statements presented in this report encompass CCS and its component unit, the Community Colleges of Spokane Foundation. CCS'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 CCS at a moment in time, at year-end. The statement of revenue, expenses and changes in net position and the statement of cash flows provide information about operations and activities over a period of time. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess CCS's financial health as a whole.

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 CCS'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 CCS's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Statement of Net Position

The statement of net position provides information about the CCS's financial position, and presents the District's assets, liabilities, and net assets at year-end and includes all assets and liabilities of CCS. A condensed comparison of the statement of net position is as follows:

Condensed Statement of Net Position	2020	As Restated 2019	Change
As of June 30th			
Assets			
Current assets	$ 114,343,219	$ 90,391,507	$ 23,951,712
Capital assets, net	182,818,806	175,838,634	6,980,172
Other assets, noncurrent	16,302,334	16,173,364	128,970
Total Assets	313,464,359	282,403,505	31,060,854
Deferred Outflows	18,863,500	12,882,131	5,981,369
Liabilities			
Current liabilities	31,428,661	36,029,225	(4,600,564)
Other liabilities, noncurrent	94,642,336	87,487,066	7,155,270
Total Liabilities	126,070,997	123,516,291	2,554,706
Deferred Inflows	27,758,942	30,455,579	(2,696,637)
Net Position	$ 178,497,920	$ 141,313,766	$ 37,184,154

Current assets consist primarily of cash, short term investments, various accounts receivables, and inventories. The increase of current assets of $23,951,712 in FY 2020 is primarily attributable to the sale of land and capital assets to the Department of Transportation.

Net capital assets increased by $6,980,172 from fiscal year 2019 to FY 2020, due to an increase in construction in process attributable to the Old Main project under construction.

Noncurrent assets consist of the long-term portion of certain investments. CCS has investments in CD's and government securities and fluctuate between long-term and short-term to secure higher rate of return when purchased.

Deferred outflows (and the related deferred inflow) as of June 30, 2020, represent changes in deferred contributions and changes of assumptions related to the District's pension, OPEB and State Board Retirement Plan. See footnotes 1, 5, 12, 13, and 14 for discussion of these items and the pension and OPEB liability referred to below.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of the Certificate of Participation (COP) debt, deposits held for others, and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. The largest decrease is due to fewer payables related to capital assets as the gymnasium renovation was completed in the current year.

Noncurrent liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation debt. This category also includes the required long-term OPEB liability, and pension liability. The increase in noncurrent liabilities was primarily due the OPEB liability, net of current portion which increased $8.6M over the prior year, which was offset by a decrease in pension liability of almost $900K. See additional details related to required disclosures within Note 12, 13, and 14.

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

Net Investments in Capital Assets – CCS'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 – The corpus of nonexpendable restricted resources is available only for investment purposes. These assets are held in perpetuity. CCS did not have any of these funds in FY 2020 or 2019.

Restricted Expendable – Subject to external donor or grantor stipulations regarding their use. CCS may expend these assets for purposes as determined by donors and/or external entities. CCS did not have any of these funds in FY 2020 or 2019.

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.

Statement of Revenues, Expenses and Changes in Net Position
The statement of revenues, expenses, and changes in net position accounts for CCS's changes in total net position during FY 2020. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid by CCS, along with any other revenue, expenses, gains, and losses of CCS.

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

Operating expenses are expenses incurred in the normal operation of CCS, including depreciation on property and equipment. When operating revenues, excluding state appropriations and Pell Grants, are measured against operating expenses, CCS 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.

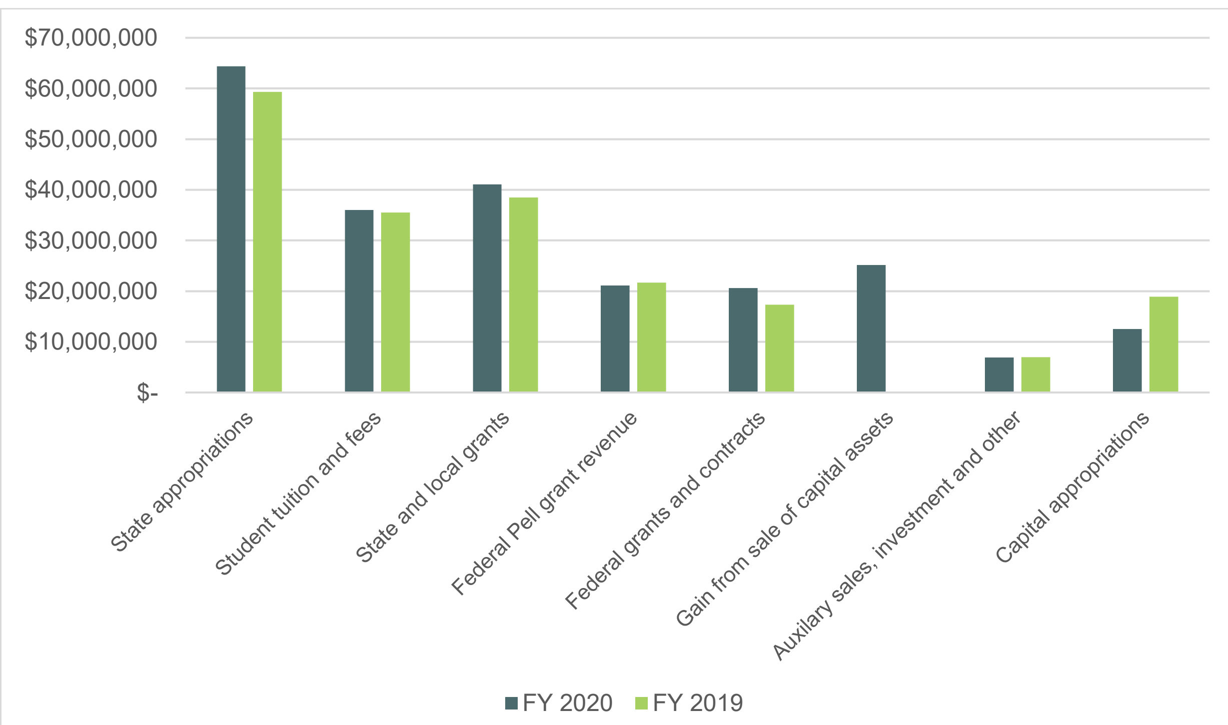
A condensed comparison of the CCS's revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019, is presented below.

Condensed Statement of Revenue, Expenses, and Changes in Net Position	2020	As Restated 2019	Change
For the year ended June 30th			
Operating revenues	$ 102,456,462	$ 97,815,489	$ 4,640,973
Operating expenses	184,617,552	169,153,301	15,464,251
Net Operating Income/Loss	(82,161,090)	(71,337,812)	(10,823,278)
Nonoperating revenues	111,548,457	81,512,250	30,036,207
Nonoperating expenses	4,757,941	5,343,636	(585,695)
Income/loss before other revenues and expenses	24,629,426	4,830,802	19,798,624
Capital appropriations	12,554,728	18,882,848	(6,328,120)
Increase in Net Position	$ 37,184,154	$ 23,713,650	$ 13,470,504

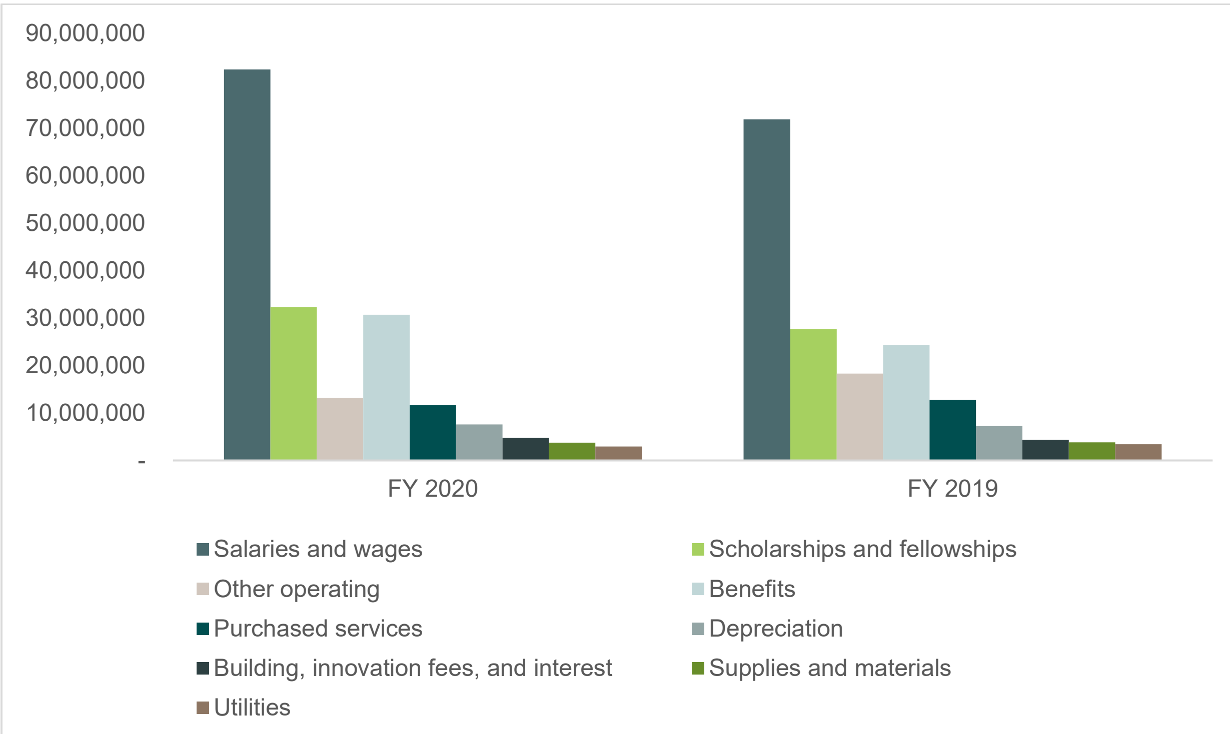
Revenues

Operating revenues increased $4,640,973 in FY 2020, primarily due to an increase of $3.2 million in federal grants and contracts.

Nonoperating revenues increased by $30,036,207 in FY 2020, which was primarily due to an increase in Gain on sale of capital assets of $25.1 million.



Expenses
Operating expenses increased $15,464,251 in FY 2020, led by a significant increase of $9.6 million in salaries and wages, a $7.3 million increase in benefits, and a $4.7 million increase in scholarships and fellowships. This was offset by a $4.4 million decrease in operating expenses.



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

At June 30, 2020, CCS had $182,818,806 in capital assets, net of accumulated depreciation. This represents an increase of $6,980,172 from FY 2019, as shown in the table below. The increase in capital assets is primarily the result of an increase in construction in process associated with the renovation of the Old Main building on the Spokane Community College campus. In addition, CCS completed the transaction with Washington State Department of Transportation (WSDOT) related to the North South Freeway construction project in FY 2020 with the transfer of land and buildings for $25.1 million. See Note 4 in the accompanying Notes to the Financial Statements.

	2020	As Restated 2019	Change
Asset Type as of June 30th			
Land	$ 3,664,474	$ 3,792,411	$ (127,937)
Construction in progress	31,582,536	19,324,247	12,258,289
Buildings, net	140,042,736	146,069,846	(6,027,110)
Other improvements and infrastructure, net	1,912,581	948,924	963,657
Equipment, net	5,479,669	5,543,549	(63,880)
Library resources, net	136,810	159,657	(22,847)
Total Capital Assets, Net	$ 182,818,806	$ 175,838,634	$ 6,980,172

At June 30, 2020, CCS had $17,289,062 in outstanding debt, which includes a balance $2,044,062 in unamortized premium. CCS entered into a Certificate of Participation (COP) for the renovation of the Spokane Falls Gymnasium during FY 2017 and has an outstanding COP for the Spokane Community College Student Services Building remodel during FY 2014. Also see Notes 10 and 11.

Long Term Debt as of June 30th	2020	2019	Change
Certificates of Participation	15,245,000	$ 15,835,000	$ (590,000)
Unamortized premium	2,044,062	$ 2,160,312	$ (116,250)
Total Long Term Debt	$ 17,289,062	$ 17,995,312	$ (706,250)

Economic Factors That Will Affect the Future

In FY 2017, the State Board for Community and Technical Colleges elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model was based on student completion, student achievement and enrollments. This new allocation model significantly changed CCS's state funding levels, resulting in a total reduction of approximately $3.5 million spread evenly over four years. The funding level reduction for FY20 was approximately $893,000. In addition, the Legislature provided a general salary increase for employees.

Community Colleges of Spokane
Statement of Net Position
June 30, 2020

ASSETS

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	June 30, 2020	Discrete Component Unit District 17 Foundation
CURRENT ASSETS		
Cash and cash equivalents	$ 80,899,522	$ 1,327,409
Short term investments	11,026,740	1,068,042
Accounts receivable, net of allowance for doubtful accounts	22,362,850	83,335
Interest receivable	54,107	-
Other assets	-	27,489
Total current assets	114,343,219	2,506,275
NONCURRENT ASSETS		
Long-term investments	16,302,334	18,589,722
Non-depreciable capital assets	35,247,011	-
Capital assets, net of depreciation	147,571,795	8,823,280
Total noncurrent assets	199,121,140	27,413,002
Total assets	313,464,359	29,919,277
Deferred outflows of resources related to OPEB	6,351,707	-
Deferred outflows of resources related to pensions	12,511,793	-
Total deferred outflows of resources	18,863,500	-
Total assets and deferred outflows	$ 332,327,859	$ 29,919,277

(Continued)

LIABILITIES AND NET POSITION

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	June 30, 2020	Discrete Component Unit District 17 Foundation
CURRENT LIABILITIES		
Accounts payable	$ 3,812,741	$ 166,006
Accrued liabilities	7,482,697	-
Compensated absences, current portion	5,752,667	-
Unearned revenue	9,032,801	-
Pension liability, current portion	150,253	-
OPEB liability, current portion	4,461,252	-
Notes payable, current portion	736,250	270,361
Total current liabilities	31,428,661	436,367
NONCURRENT LIABILITIES		
Deposits payable	-	2,023,969
Compensated absences, net of current portion	2,465,428	37,036
Pension liability, net of current portion	21,084,872	-
OPEB liability, net of current portion	54,539,224	-
Notes payable, net of current portion	16,552,812	4,572,340
Total noncurrent liabilities	94,642,336	6,633,345
Total liabilities	126,070,997	7,069,712
Deferred inflows of resources related to OPEB	19,491,030	-
Deferred inflows of resources related to pensions	8,267,912	-
Total deferred inflows of resources	27,758,942	-
NET POSITION		
Net investment in capital assets	165,529,744	3,980,579
Restricted for District 17 Foundation	-	18,868,986
Unrestricted	12,968,176	-
Total net position	178,497,920	22,849,565
Total liabilities, deferred inflows, and net position	$ 332,327,859	$ 29,919,277

See accompanying notes.

Community Colleges of Spokane
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2020

	Year Ended June 30, 2020	Discrete Component Unit District 17 Foundation
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances and discounts	$ 35,706,479	$ 196,026
Auxiliary enterprise sales	4,643,620	-
State and local grants and contracts	41,053,899	30,100
Federal grants and contracts	20,583,431	-
Rental Income	-	1,718,630
Other operating revenues	66,404	1,929,108
Interest on loans to students	402,629	-
Total revenues	102,456,462	3,873,864
OPERATING EXPENSES		
Operating expenses	13,196,356	2,456,238
Salaries and wages	82,384,612	916,237
Benefits	30,715,187	-
Scholarships and fellowships	32,405,830	-
Supplies and materials	3,780,698	-
Depreciation and amortization	7,558,288	-
Purchased services	11,631,420	-
Utilities	2,945,161	-
Total operating expenses	184,617,552	3,372,475
GAIN (LOSS) FROM OPERATIONS	(82,161,090)	501,389
NONOPERATING REVENUES		
State appropriations	64,362,117	-
Federal Pell grant revenue	21,143,816	-
Gain from sale of capital assets	25,131,290	-
Investment income, gains and losses	911,234	(11,495)
Net nonoperating revenues	111,548,457	(11,495)
NONOPERATING EXPENSES		
Building and innovation fees	4,086,750	-
Interest on indebtedness	671,191	-
Net nonoperating expenses	4,757,941	-
GAIN (LOSS) BEFORE CAPITAL APPROPRIATIONS	24,629,426	489,894
Capital appropriations	12,554,728	-
Increase (decrease) in net position	37,184,154	489,894
NET POSITION		
Net position, beginning of year, as restated	141,313,766	22,359,671
Net position, end of year	$ 178,497,920	$ 22,849,565

See accompanying notes.

Community Colleges of Spokane
Statements of Cash Flows
Year Ended June 30, 2020

	Community Colleges of Spokane
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	$ 36,830,712
Grants and contracts	65,951,725
Payments to vendors	(36,306,908)
Payments for utilities	(2,945,161)
Payments to employees	(81,526,080)
Payments for benefits	(32,626,245)
Auxiliary enterprise sales	4,643,620
Payments for scholarships and fellowships	(32,405,830)
Loans issued to students and employees	402,629
Other receipts (payments)	66,404
Net cash from operating activities	(77,915,134)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	64,362,117
Pell grants	21,143,816
Building and innovation fees	(4,086,750)
Net cash from noncapital financing activities	81,419,183
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital appropriations	12,554,728
Purchases of capital assets	(14,897,583)
Proceeds from sale of capital assets	15,186,937
Principal paid on long-term debt	(590,000)
Interest paid	(787,441)
Net cash from capital and related financing activities	11,466,641
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(14,199,079)
Proceeds from sales and maturities of investments	18,695,000
Income from investments	842,002
Net cash from investing activities	5,337,923
NET CHANGE IN CASH AND CASH EQUIVALENTS	20,308,613
CASH AND CASH EQUIVALENTS, beginning of year	60,590,909
CASH AND CASH EQUIVALENTS, end of year	$ 80,899,522

See accompanying notes.

Community Colleges of Spokane
Statements of Cash Flows
(Continued)

	Community Colleges of Spokane
OPERATING LOSS	$ (82,161,090)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	7,558,288
Changes in assets and liabilities	
Receivables, net	2,104,718
Accounts payable	(307,468)
Accrued liabilities	(7,053,953)
Deferred revenue	3,333,910
Compensated absences	521,519
Deferred inflows	(2,696,637)
Deferred outflows	(5,981,369)
OPEB liability adjustment expense	7,650,686
Pension liability adjustment expense	(883,738)
Net cash used by operating activities	$ (77,915,134)
Noncash capital, financing and investing activities:	
Account Receivable on Sale of Capital Asset	$ 10,330,000

Note 1 – Summary of Significant Accounting Policies

Financial reporting entity – Community Colleges of Spokane (CCS), is a comprehensive, two campus community college district offering open-door academic programs, workforce education, basic skills, and community services. CCS confers associate degrees, limited bachelor's 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.

CCS is an agency of the state of Washington, as part of the community and technical college system, which is directed by the State Board for Community and Technical Colleges. The financial activity of CCS is included in the State's Comprehensive Annual Financial Report.

The Community Colleges of Spokane Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1972 and recognized as a tax exempt 501(c)(3) charity. The Foundation's primary charitable purpose is to solicit and receive contributions to provide enhancements at the Community Colleges of Spokane and scholarship assistance to its students. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of CCS or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39, and 14. A component unit is an entity, which is legally separate from CCS, but has the potential to provide significant financial benefits to CCS or whose relationship with CCS is such that excluding it would cause CCS's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between CCS and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2020, the Foundation distributed $1,036,214 to CCS for restricted and unrestricted purposes, such as program support and student scholarships.

Basis of presentation – For financial reporting purposes, CCS is considered a special-purpose government engaged only in Business Type Activities (BTA). In accordance with BTA reporting, CCS 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 CCS's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows.

Basis of accounting – The financial statements of CCS 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Intercompany transactions – During the course of operations, numerous transactions occur between funds for goods provided and services rendered. For the financial statements, interfund receivables and payables have generally been eliminated. However, revenues and expenses from CCS' auxiliary enterprises are treated as though CCS were dealing with private vendors. For all other funds, transactions that are reimbursements of expenses are recorded as reductions of expense.

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

CCS combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents, certificates of deposit, and U.S. Treasuries and U.S. Agency securities.

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

Investments – Investments are recorded at fair value. Unrealized gains or losses on the carrying value of investments are reported as a component of net investment income in the statement of revenues, expenses, and changes in net position.

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 CCS. As a result, the assets are included in the financial statements because excluding them would have been misleading.

Note 1 – Summary of Significant Accounting Policies (continued)

Land, buildings, and equipment are recorded at cost, or if acquired by gift, at fair market value at the date of the gift. 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, 2 to 10 years for most equipment, and 11 to 40 years for heavy duty equipment.

In accordance with GASB Statement 42, CCS 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. For the year ended June 30, 2020, 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, including tuition and fees paid with financial aid funds. CCS has recorded 2020 summer quarter tuition and fees and advanced grant proceeds as unearned revenues.

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

Net pension liability – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the 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.

CCS also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Post-Employment Benefits Other Than Pensions (OPEB) – For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of CCS's OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, CCS's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred outflows of resources and deferred inflows of resources – Deferred outflows of resources represent consumption of net position that is applicable to a future period. Deferred inflows of resources represent acquisition of net position that is applicable to a future period. Changes in net pension liability and net OPEB liability not included in pension expense and OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Additionally, changes in Employer contributions subsequent to the measurement date of the net pension liability and net OPEB liability are reported as deferred outflows of resources.

Net position – CCS's net position is classified as follows:

Net Investment in capital assets – This represents CCS's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted for District 17 Foundation – This represents the Foundation's net position that is restricted for scholarships and program support for CCS.

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

Classification of revenues and expenses – CCS 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 CCS.

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

Nonoperating revenues – This includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, investment income, and grants received from the federal government.

Nonoperating expenses – Non-operating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on the certificate of participation loans.

Note 1 – Summary of Significant Accounting Policies (continued)

Scholarship discounts and allowances – Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by CCS, 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 CCS's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, CCS has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2020, are $3,245,304.

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

Building and innovation fee remittance – Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature and is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's (SBCTC) Strategic Technology Plan. The use of the fund is to implement new Enterprise Resource Planning (ERP) software across the entire system. On a monthly basis, CCS's remits the portion of tuition collected for the Innovation Fee to the State Board 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.

Recent Adoptions of Accounting Standards and Changes in Accounting Principle – In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification of fiduciary activities of all state and local governments, and for accounting and financial reporting of those activities. The Statement is effective for the fiscal year ending June 30, 2021. CCS is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be in effect beginning fiscal year 2022. 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. CCS is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

Note 1 – Summary of Significant Accounting Policies (continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the fiscal year ending June 30. 2021. This Statement requires that interest costs incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by CCS. The Statement will be applied on a prospective basis and the interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for the fiscal year ending June 30, 2021.

Note 2 – Cash and Investments

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

As of June 30, 2020, the carrying amount of CCS's cash and equivalents was as follows:

Cash and cash equivalents	
Petty cash and change funds	$ 13,916
Bank demand and time deposits	45,019,794
Local government investment pool	35,865,812
Total cash and cash equivalents	$ 80,899,522

Investments consist of time certificates of deposit, U.S. Treasury and Agency securities, and bond funds. Time certificates of deposit have repurchase agreements with the respective financial institutions at June 30, 2020:

	Fair Value	One Year or Less	One to Five Years
Investment maturities:			
Time certificate of deposits	$ 8,992,751	$ 8,992,751	$ -
U.S. agency obligations	18,336,323	2,033,989	16,302,334
Total investments	$ 27,329,074	$ 11,026,740	$ 16,302,334

Note 2 – Cash and Investments (continued)

Fair value measurement – CCS categorizes its fair value measurements within the fair value hierarchy established by GASB Statement 72. CCS does not hold any securities that would be classified as Level 1, quoted in active markets, for fair value. CCS's time certificate of deposits, U.S. government treasuries, and U.S. agency obligations are classified in Level 2 of the fair value hierarchy. These securities, as shown above, are valued using a variety of pricing techniques, including but not limited to fundamental analytical data related to the securities, values of baskets of securities, market interest rates, matrix calculated prices, and purchase price. CCS does not hold any securities that would be classified as Level 3, significant unobservable inputs, for fair value measurement.

Custodial credit risks, deposits – Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, CCS's deposits may not be returned to it. The majority of CCS's demand deposits are with the Bank of America. All cash and equivalents, except for change funds and petty cash held by CCS, 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 – CCS 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, CCS 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 CCS's 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. CCS's policy does not limit the amount CCS may invest in any one issuer.

Investment Type	Issuer	Reported Amount
US Agency Securities	Federal Home Loan Bank	9,320,350

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, CCS 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, 2020, none of CCS's operating fund investments, held by US Bank, were held in the bank's name as agent for CCS, therefore none of the investments are exposed to custodial credit risk.

		Rating	
	Amount	Not Rated	Aaa
Investment Type:			
Time certificate of deposits	$ 8,992,751	$ 8,992,751	$ -
U.S. agency obligations	18,336,323	-	18,336,323
Total investments	$ 27,329,074	$ 8,992,751	$ 18,336,323

Note 3 – Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. It also includes amounts due from federal, state, and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements. A final settlement of $10,330,000 from WSDOT was recorded within due from other state agencies as the property was sold in the current fiscal year. (See Note 4)

At June 30, 2020, accounts receivable were as follows:

Student tuition, and fees	$ 5,353,445
Due from the federal government	1,207,502
Pell grant proceeds	3,259,905
Due from other state agencies	12,567,118
Subtotal	22,387,970
Less allowance for uncollectible accounts	(25,120)
Accounts receivable, net	$ 22,362,850

Note 4 – Capital Assets

CCS completed the sale of land and buildings with Washington State Department of Transportation (WSDOT) related to the North South Freeway construction project in the current fiscal year. The recognized gain from the sale resulting in a gain of $25,131,290, of which $10,330,000 was a receivable. The retirements seen below in the changes in capital assets schedule are the result of the sale of land and buildings related to this transaction.

Note 4 – Capital Assets (continued)

A summary of the changes in capital assets for the year ended June 30, 2020, is presented as follows:

Capital assets	Beginning Balance *	Additions	Transfers	Retirements	Ending Balance
Nondepreciable capital assets					
Land	$ 3,792,411	$ -	$ -	$ (127,937)	$ 3,664,474
Construction in progress	18,747,508	13,960,025	(1,124,996)	-	31,582,537
Total nondepreciable capital assets	22,539,919	13,960,025	(1,124,996)	(127,937)	35,247,011
Depreciable capital assets					
Buildings	263,947,756	-	585,339	(1,888,096)	262,644,999
Other improvements and infrastructure	3,394,166	-	511,871	-	3,906,037
Equipment	21,405,040	937,558	27,786	(287,415)	22,082,969
Library resources	8,528,587	-	-	-	8,528,587
Subtotal depreciable capital assets	297,275,549	937,558	1,124,996	(2,175,511)	297,162,592
Less accumulated depreciation					
Buildings	117,621,241	6,040,338	-	(1,758,323)	121,903,256
Other improvements and infrastructure	1,965,274	28,181	-	-	1,993,455
Equipment	15,921,318	1,469,014	-	(186,002)	17,204,330
Library resources	8,469,001	20,755	-	-	8,489,756
Total accumulated depreciation	143,976,834	7,558,288	-	(1,944,325)	149,590,797
Total depreciable capital assets	153,298,715	(6,620,730)	1,124,996	(231,186)	147,571,795
Capital assets, net of accumulated depreciation	$175,838,634	$7,339,295	$ -	$ (359,123)	$182,818,806

* - As Restated

Depreciation expense was $7,558,288 for the year ending June 30, 2020.

Note 5 – Accrued Liabilities

At June 30, 2020, accrued liabilities are the following:

Amounts owed to employees	$3,844,950
Amounts held for others and retainage	3,637,747
Total accrued liabilities	$7,482,697

Note 6 – Unearned Revenue

At June 30, 2020, unearned revenue consists of receipts that have not yet met revenue recognition criteria, as follows:

Summer and fall quarter tuition and fees	$3,454,547
Unearned CARES grant revenue	2,162,192
Unearned biennial capital appropriations	3,416,062
Total unearned revenue	$9,032,801

Note 7 – Risk Management

CCS 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. CCS purchases insurance to mitigate these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks.

CCS, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. CCS finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims during the fiscal year ending June 30, 2020, were $381,012. Cash reserves for unemployment compensation for all employees at June 30, 2020, were $116,913.

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

CCS 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. CCS has had no claims in excess of the coverage amount within the past three years.

Note 8 – Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when earned. The sick leave liability is recorded as an actuarial estimate of one-fourth of the total balance on the payroll records. The accrued vacation leave totaled $3,729,221 and accrued sick leave totaled $4,488,874 at June 30, 2020.

Note 8 – Compensated Absences (continued)

Accrued annual and sick leave are categorized as non-current liabilities. Compensatory time is categorized as a current liability since it must be used before other leave.

Note 9 – Leases Payable

CCS has leases for office equipment with various vendors. These leases are classified as operating leases and mature through June 2025. As of June 30, 2020, the minimum lease payments under these operating leases consist of the following:

Year Ending June 30,	Operating Leases
2021	$ 1,847,350
2022	1,767,945
2023	1,404,610
2024	987,270
2025	409,415
Total	$ 6,416,590

Lease expense for the years ending June 30, 2020, were $1,770,689.

Note 10 – Notes Payable

In December 2012, CCS obtained financing in order to build the Student Services Building (#15) on the Spokane Community College campus through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $2,040,000. The interest rate charged is 4.18%. The principal and interest obligations related to this payable are being paid out of CCS local funds over a term of 20 years.

In February 2017, CCS obtained financing in order to renovate the SFCC Gymnasium on the Spokane Falls Community College campus through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $14,930,000. The interest rate charged is 3.41%. The principal and interest obligations related to this payable are being paid out of CCS local funds over a term of 20 years.

Note 10 – Notes Payable (continued)

CCS's debt service requirements for notes payable for the next five years and thereafter are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 620,000	$ 759,831	$ 1,379,831
2022	645,000	724,581	1,369,581
2023	680,000	692,331	1,372,331
2024	715,000	658,331	1,373,331
2025	750,000	622,581	1,372,581
2026-2029	3,395,000	2,099,175	5,494,175
2030-2034	5,125,000	1,599,313	6,724,313
2035-2039	3,315,000	337,000	3,652,000
Subtotal	15,245,000	7,493,143	22,738,143
Add unamortized premium	2,044,062	-	2,044,062
Totals	$ 17,289,062	$ 7,493,143	$ 24,782,205

Note 11 – Schedule of Long-Term Liabilities

Long term liabilities are as follows for the year ending June 30, 2020:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 7,696,576	$ 4,558,400	$ (4,036,881)	$ 8,218,095	$ 5,752,667
Certificates of participation	15,835,000	-	(590,000)	15,245,000	620,000
Unamortized premium	2,160,312	-	(116,250)	2,044,062	116,250
Total pension obligation	22,118,863	3,889,100	(7,702,120)	21,235,125	150,253
OPEB Liability	51,349,790	8,598,634	(15,861,728)	59,000,476	4,461,252
Total	$ 99,160,541	$ 17,046,134	$ (28,306,979)	$ 105,742,758	$ 11,100,422

Note 12 – Pension and Benefit Plans

The following table represents the aggregate pension amounts for all plans (Notes 12 and 13) for the fiscal year ended June 30, 2020:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Suppl. Plan	Total
Pension liabilities	$(7,446,876)	$(2,406,690)	$ (837,843)	$ (179,065)	$ (10,364,651)	$(21,235,125)
Deferred outflows of resources	1,412,023	3,871,356	167,916	449,729	6,610,769	12,511,793
Deferred inflows of resources	(497,514)	(5,602,664)	(64,253)	(245,532)	(1,857,949)	(8,267,912)
Pension expense (revenues)	(1,485,199)	(2,201,701)	(59,752)	(67,849)	578,983	(3,235,518)

Note 12 – Pension and Benefit Plans (continued)

Substantially all of CCS's full-time and qualifying part-time faculty participate in either the Washington State Public Employees Retirement System (PERS) or the Teachers Retirement System (TRS). These cost-sharing, multiple-employer defined benefit pension plans are statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS). The State Legislature establishes and amends laws pertaining to the creation and administration of all public retirement systems.

The DRS, a department within the primary government of the state of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Plan Descriptions

PERS members include elected officials, state employees, employees of the Supreme, Appeals, and Superior Courts, employees of the legislature, employees of District and municipal courts, employees of local governments, and higher education employees not participating in higher education retirement programs. TRS members include those employed at a certified public school in an instructional, administrative, or supervisory capacity. PERS and TRS is comprised of three separate pension plans for membership purposes. PERS and TRS Plans 1 and 2 are defined benefit plans, and PERS and TRS Plan 3 is a defined benefit plan with a defined contribution component.

Pension Benefits

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average financial compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Washington State Department of Labor and Industries (L&I). PERS 1 members were vested after the completion of five years of eligible service. The Plan was closed to new entrants on September 30, 1977.

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for PERS Plan 2, and 1 percent of AFC times the member's years of service for PERS Plan 3. The AFC is the average of the member's 60 highest-paid consecutive months. There is no cap on years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.

Note 12 – Pension and Benefit Plans (continued)

PERS Plan 2/3 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a COLA based on the Consumer Price Index (CPI), capped at three percent annually, and a one-time duty-related death benefit, if found eligible by the Washington State L&I. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service, or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, the required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

TRS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are calculated using two percent of the member's AFC times the member's years of service – up to a maximum of 60 percent. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Other benefits include temporary and permanent disability payments, an optional COLA, and a one-time duty-related death benefit, if found eligible by the Washington State L&I. TRS 1 members are vested after completion of five years of eligible service.

TRS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for TRS Plan 2, and one percent of AFC times the member's years of service for TRS Plan 3. The AFC is the average of the member's 60 highest-paid consecutive months. There is no cap on years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.

TRS Plan 2/3 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a COLA based on the CPI, capped at three percent annually, and a one-time duty related death benefit, if found eligible by the Washington State L&I. TRS Plan 2 members are vested after completing five years of eligible service. TRS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service, or after five years of service if 12 months of that service are earned after age 44.

TRS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. TRS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Note 12 – Pension and Benefit Plans (continued)

Contributions

CCS's required contribution rates (expressed as a percentage of covered payroll) for the fiscal year ended June 30, 2020, are as follows:

	District	Employee
PERS:		
Plan 1	12.83%	6.00%
Plan 2/3	12.83%	7.41%
TRS:		
Plan 1	15.41%	6.00%
Plan 2/3	15.41%	7.06%

PERS Plan 1 and TRS Plan 1-member contribution rates are developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts the PERS Plan 1 and TRS Plan 1 contribution rates.

PERS Plan 2/3 and TRS Plan 2/3-member and employer contribution rates are developed by the OSA to fully fund Plan 2 and the defined benefit portion of Plan 3. The PERS Plan 2/3 and TRS Plan 2/3 employer rates include components to address the PERS Plan 1 and TRS Plan 1 unfunded actuarial accrued liability, respectively, and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 and Plan 3 employer and employee contribution rates.

Actual contributions to the plans for the FY ended June 30, 2020, are as follows:

	Contributions
PERS:	
Plan 1	$1,412,023
Plan 2	1,690,964
Plan 3	647,980
TRS:	
Plan 1	$167,916
Plan 2	28,830
Plan 3	151,996

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. State contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

Note 12 – Pension and Benefit Plans (continued)

Deferred inflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

At June 30, 2020, CCS reported deferred outflows of resources and deferred inflows of resources related to pensions for its PERS plans from the following sources:

	PERS 1		PERS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -	$ 689,525	$ 517,427
Net difference between projected and actual investment earnings on pension plan investments	-	497,514	-	3,503,173
Changes of assumptions	-	-	61,628	1,009,771
Changes in proportion and difference between contributions and proportionate share of contributions	-	-	781,259	572,293
Contributions subsequent to the measurement date	1,412,023	-	2,338,944	-
Totals	$ 1,412,023	$ 497,514	$ 3,871,356	$ 5,602,664

The average of the expected remaining service lives of all faculty in PERS 1 and PERS 2/3 that are provided with pensions through CCS (active and inactive) is 1.00 year and 4.40 years, respectively.

Note 12 – Pension and Benefit Plans (continued)

At June 30, 2020, CCS reported deferred outflows of resources and deferred inflows of resources related to pensions for its TRS plans from the following sources:

	TRS 1		TRS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -	$ 124,508	$ 5,762
Net difference between projected and actual investment earnings on pension plan investments	-	64,253	-	154,597
Changes of assumptions	-	-	67,508	47,578
Changes in proportion and difference between contributions and proportionate share of contributions	-	-	76,887	37,595
Contributions subsequent to the measurement date	167,916	-	180,826	-
Total	$ 167,916	$ 64,253	$ 449,729	$ 245,532

The average of the expected remaining service lives of all faculty in TRS 1 and TRS 2/3 that are provided with pensions through the System (active and inactive) is 1.00 year and 5.50 years, respectively.

Deferred outflows of resources related to pensions resulting from CCS's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Fiscal Year	Pers Plan 1	Pers Plan 2/3	TRS Plan 1	TRS Plan 2/3
2021	$ (109,829)	$ (1,104,087)	$ (13,189)	$ (6,308)
2022	(260,153)	(1,598,962)	(34,495)	(52,358)
2023	(92,838)	(732,109)	(12,130)	(6,699)
2024	(34,694)	(361,485)	(4,440)	9,224
2025	-	(232,239)	-	22,258
Thereafter	-	(41,370)	-	57,254
Totals	$ (497,514)	$ (4,070,252)	$ (64,253)	$ 23,371

Note 12 – Pension and Benefit Plans (continued)

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined by an actuarial valuation as of June 30, 2018, with results rolled forward to June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the OSAs *2007 – 2012 Experience Study Report*. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary Increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- Investment Rate of Return: 7.40%

Mortality rates were based on the *RP-2000* report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning each member is assumed to receive additional mortality improvements in each future year throughout their lifetime. A supplemental plan experience study was performed in April 2016, which reviewed all economic and demographic assumptions other than mortality.

Discount Rate

The discount rate used to measure the TPL for all DRS plans provided by CCS was 7.40 percent. To determine that rate, an asset sufficiency test included an assumed 7.50 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 7.40 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' 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 7.40 percent was used to determine the total liability.

Note 12 – Pension and Benefit Plans (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.40 percent was determined using a building-block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expenses, including inflation) to develop each major asset class. Those expected returns make up one component of WSIBs capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to stimulate future investment returns at various future times. The long-term expected rate of return of 7.40 percent approximately equals the median of the stimulated investment returns over a 50-year time horizon, adjusted to remove or dampen any short-term changes to WSIBs capital market assumptions (CMAs) that aren't expected over the entire 50-year measurement period.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIBs most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Percent Long-Term Expected Real Rate of Return
Fixed income	20.00%	2.20%
Tangible assets	7.00%	5.10%
Real estate	18.00%	5.80%
Global equity	32.00%	6.30%
Private equity	23.00%	9.30%
Inflation component		2.20%
Long-term expected rate of return, net of investment expenses		7.40%

Sensitivity of the Net Pension Liability

The table below presents CCS's proportionate share of the net pension liability (NPL) calculated using the discount rate of 7.40 percent, as well as what CCS's proportionate share of the NPL would be if it were calculated using a discount rate that is 1-percentage point lower (6.40 percent) or 1-percentage point higher (8.40 percent) than the current rate.

Note 12 – Pension and Benefit Plans (continued)

	Employer's Proportionate Share of the Net Pension Liability / (Assets)		
	1.00% Decrease (6.40%)	Current Discount Rate (7.40%)	1.00% Increase (8.40%)
PERS Plan 1	$ 9,325,860	$ 7,446,876	$ 5,816,610
PERS Plan 2/3	18,458,424	2,406,690	(10,764,803)
TRS Plan 1	1,070,819	837,843	635,695
TRS Plan 2/3	975,897	179,065	(468,810)
Totals	$ 29,831,000	$ 10,870,474	$ (4,781,308)

Pension Plan Fiduciary Net Position

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, CCS reported a total pension liability (TPL) for its proportionate share of the net pension liabilities as follows:

	Net Pension Liability
PERS Plan 1	$ 7,446,876
PERS Plan 2/3	2,406,690
TRS Plan 1	837,843
TRS Plan 2/3	179,065
Total	$ 10,870,474

There were no College or faculty contribution payables to the DRS at June 30, 2020.

At June 30, 2020, CCS's proportionate share of the collective net pension liabilities were as follows:

PERS Plan 1	0.193659%
PERS Plan 2/3	0.247771%
TRS Plan 1	0.033840%
TRS Plan 2/3	0.029719%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2019, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

Note 12 – Pension and Benefit Plans (continued)

Pension Expense

The table below shows the components of each plan's pension expense as it is affected by faculty benefits:

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	Total Plans
Actuarily determined pension expense	$ 358,521	$ 515,022	$ 40,950	$ 105,236	$ 1,019,729
Contributions subsequent to measurement date	(1,412,023)	(2,338,944)	(167,916)	(180,826)	(4,099,709)
Amortization of prior year change in proportion previously recorded as deferred outflows	-	142,075	-	17,722	159,797
Amortization of prior year change in proportion previously recorded as deferred inflows	-	(214,065)	-	(7,406)	(221,471)
Amortization of change in proportionate liability	(78,011)	-	(162,812)	-	(240,823)
Pension expense (revenue)	$ (1,131,513)	$ (1,895,912)	$ (289,778)	$ (65,274)	$ (3,382,477)

Note 13 – State Board Retirement Plan

Plan Description

The State Board Retirement Plan is a privately administered single employer defined contribution plan with a supplemental defined benefit plan component, which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. CCS 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.

Note 13 – State Board Retirement Plan (continued)

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 CCS. Employee and employer contributions for the year ended June 30, 2020, were each $3,780,776.

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, 2020, supplemental benefits were paid by the SBCTC in the amount of $1,785,526. CCS's share of this amount was $214,227. 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 fiscal year 2020, CCS paid into this fund at a rate of 0.50 percent of covered salaries, totaling $214,154. 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, 2020, the Community and Technical College system accounted for $23,208,875 of the fund balance.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018. Update procedures were used to roll forward the total pension liability to the June 30, 2019, 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% - 6.50%

Note 13 – State Board Retirement Plan (continued)

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, 2018, 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 decreased from 3.87 percent to 3.50 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 3.50 percent for the June 30, 2019, measurement date.

Pension Expense

For the year ended June 30, 2020, CCS reported $578,983 for pension expense in the State Board Supplemental Retirement Plans. The proportionate share percentage was 7.07%.

Service Cost	$ 248,484
Interest Cost	279,516
Amortization of Differences Between Expected and Actual Experience	(178,750)
Amortization of Changes of Assumptions	261,496
Proportionate Share of Collective Pension Expense	610,746
Amortization of the Changes in Proportionate Share of Total Pension Liability	(31,763)
Total Pension Expense	$ 578,983

Proportionate Shares of Pension Liabilities

CCS's proportionate share of pension liabilities for fiscal year ending June 30, 2020, was 7.07 percent. CCS's proportion of the total pension liability was based on a projection of CCS's long-term share of contributions to the pension plan to the projected contributions of all participating colleges. CCS's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the table:

Note 13 – State Board Retirement Plan (continued)

Proportionate Share (%) 2019	7.14%
Proportionate Share (%) 2020	7.07%
Total Pension Liability - Ending 2019	$ 7,884,891
Total Pension Liability - Beginning 2020	7,800,221
Change in Proportion	(84,670)
Total Deferred Inflows/Outflows - 2019	942,621
Total Deferred Inflows/Outflows - 2020	932,498
Total Deferred Inflows/Outflows Change in Proportion	(10,123)
Total Change in Proportion	$ (94,793)

Plan Membership

Membership of the State Board Supplemental Retirement Plans consisted of the following at June 30, 2020, the most recent actuarial valuation date:

Inactive members (or beneficiaries) currently receiving benefits	7
Inactive member entitled to but not yet receiving benefits	29
Active members	397
Total members	433

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, 2019, the latest measurement date for the plan:

Service cost	$ 248,484
Interest	279,516
Difference between expected and actual experience	588,945
Changes of assumptions	1,573,649
Benefit payments	(126,159)
Changes in proportional share of total pension liability	(84,675)
Net change in total pension liability	2,479,760
Total pension liability - beginning	7,884,891
Total pension liability - ending	$ 10,364,651

Note 13 – State Board Retirement Plan (continued)

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 7.07 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 (6.07%) or one percentage point higher (8.07%) than the current rate:

Discount Rate Sensitivity		
1% Decrease (2.50)%	Current Discount Rate (3.50)%	1% Increase (4.50)%
$11,918,445	$10,364,651	$9,084,469

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the State Board Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 837,655	$ 1,307,466
Changes of assumptions	1,972,719	355,564
Changes in District's proportionate share of pension liability	19,619	194,919
Contributions subsequent to measurement date	3,780,776	-
	$ 6,610,769	$ 1,857,949

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:

Year Ending June 30,	Amount
2020	$ 50,984
2021	50,984
2022	50,984
2023	167,438
2024	342,189
Thereafter	309,465
Total	$ 972,044

Note 14 – Other Post-Employment Benefits

CCS's employees are eligible to participate in the employer defined benefit other postemployment benefit (OPEB) plan administered by the State Health Care Authority (HCA). The plan, as authorized through RCW 41.05.065, is designed by the Public Employee Benefits Board (PEBB), created within HCA, and determined the terms and conditions of employee and retired employee participation and coverage, including eligibility criteria. The PEBB OPEB plan benefits are provided in accordance with a substantive plan, rather than a formalized contract or plan document and, as such, rely on communication of the plan terms by HCA with employers and plan members as well as the historical practice of plan cost sharing employers.

The PEBB OPEB plan is funded by monthly contributions with amounts established by the Legislature as part of the biennium budget process. For the FY 2020, the monthly contribution amount was $183 per employee. There are no plan assets. Rather, the monthly contributions are used to pay for current benefits provided. The plan does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees eligible for retirement electing to continue coverage and pay the administratively established health insurance premiums at the time they retire under the provisions of the retirement plan to which they belong.

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 this risk pool receive an implicit subsidy because the retired members pay a premium based on the claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims cost and the premium.

Retirees who are reenrolled 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 from the reduced premiums. The explicit subsidy is established through an annual recommendation by the HCA administrator, which is included in the Governor's budget with the final amount approved by the state Legislature. In calendar year 2020, the explicit subsidy was up to $183 per enrollee member per month.

OPEB implicit and explicit subsidies as well as administrative costs are funded by the required contributions participating employers make. The employer is required to make monthly contributions on behalf of all active, health care eligible employees (headcount), regardless of enrollment status. The allocation method used by the state to determine the proportionate share of the OPEB related liabilities, deferred inflows, deferred outflows, and expense is the percentage of headcount as a percentage of the state's total headcount.

This same method is used to determine the transactions subsequent to the measurement date, specifically the retiree portion of premium payments made by agencies on behalf of active, health care eligible employees between the measurement date of June 30, 2020, and the reporting date of June 30, 2020. The portion of health care premiums attributed to retirees for both explicit and implicit subsidies is taken from the FY 2020 Third Quarter Update in the PEBB Financial Projection Model (PFPM) from the State Health Care Authority.

Note 14 – Other Post-Employment Benefits (continued)

Additional information will be included in the Washington State 2020 Comprehensive Annual Financial Report on the OFMs website (www.ofm.wa.gov/accouning/financial-audit-reports/comprehensive-annual-financial-report). Additional information on health care trends rates and other actuarial data is available on the Office of the State Actuary's website (leg.wa.gov/osa).

For the year ending June 30, 2020, HCA reports total OPEB liability of $5.8 billion. At June 30, 2020, CCS recognized its proportionate share of the OPEB liability of $59,000,476. The OPEB liability was measured as of June 30, 2020, and the total liability used to calculate the OPEB liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward those results to a measure date of June 30, 2019, reflecting the plan's service cost, assumed interest, and expected benefit payments. CCS's proportion was based upon its headcount in relation to the headcount of all state employees at the same date resulting in allocations of 1.0166% and 1.0111% used for the measurement of its obligations as of June 30, 2020 and 2019, a reduction between years of 0.015%. The impact of this change is included in the related deferred inflows and outflows of resources and amortized over nine years, which is equal to the average expected remaining service lives of all active and inactive members.

For the year ended June 30, 2020, CCS recognized OPEB expense of $2,187,532 and recognized deferred outflows and inflows of resources related to the net OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 3,430,353	$ 17,106,779
Changes in agency proportion	328,507	2,384,251
Difference between expected and actual experience	1,575,499	-
Contributions subsequent to measurement date	1,017,348	-
	$ 6,351,707	$ 19,491,030

The $1,017,348 reported as deferred outflows resulting from transactions subsequent to the measurement date will be recognized as a reduction in the OPEB liability in the year ended June 30, 2021.

Other amounts reported as deferred inflows of resources will be recognized as OPEB expense in subsequent years as follows:

Note 14 – Other Post-Employment Benefits (continued)

Year Ending June 30,	Amount
2021	$ (2,273,720)
2022	(2,273,720)
2023	(2,273,720)
2024	(2,273,720)
2025	(2,273,720)
Thereafter	(2,788,071)
Total	$ (14,156,671)

The total OPEB liability in the June 30, 2018, actuarial valuation, which was rolled forward to June 30, 2020, was determined using the following actuarial assumptions:

Inflation:	
Economic	2.75%
Salary	3.50%
(Salaries are also expected to grow by promotions and longevity)	
Health care trend rates:	
Initial rate	8.00%
Expected by 2080	4.50%

Mortality rates were based on the RP-2000 report's combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year through his or her 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 percentages and percentage with spouse coverage were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2017 Economic Experience Study.

Because the OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, which was 3.50% for the June 30, 2020, measurement date.

The following represents CCS's proportionate share of the OPEB liability calculated using the discount rate of 3.50% as well as what the proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) and one percentage point higher (4.50%) than the current rate:

Note 14 – Other Post-Employment Benefits (continued)

Discount Rate Sensitivity		
1% Decrease (2.50)%	Current Discount Rate (3.50)%	1% Increase (4.50)%
$ 71,447,602	$ 59,000,476	$ 49,332,746

The following represents the total OPEB liability of CCS, calculated using the health care trend rates of 8.00 percent decreasing to 4.50 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 (7.00 percent decreasing to 3.50 percent) or 1 percentage point higher (9.0 percent decreasing to 5.50 percent that the current rate:

Health Care Cost Trend Rate Sensitivity		
1% Decrease (3.50)%	Current Discount Rate (4.50)%	1% Increase (5.50)%
$ 47,751,926	$ 59,000,476	$ 74,139,315

Note 15 – Washington State Deferred Compensation Program

CCS, 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 CCS's employees. The deferred compensation is not available to employees until termination, retirement, or unforeseeable financial emergency. CCS does not have access to the funds.

Note 16 – Functional Operating and Nonoperating Expenses by Program

In the Statement of Revenues, Expenses, and Changes in Net Position, operating and nonoperating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating and nonoperating expenses by program or function such as instruction, research, and academic support. The following table lists operating and nonoperating expenses by program for the year ending June 30, 2020.

Instruction	$ 62,767,218
Academic support services	14,219,740
Student services	37,061,929
Institutional support	20,248,973
Operations and maintenance of plant	18,189,566
Scholarships and other student financial aid	31,022,423
Auxiliary enterprises	5,865,644
	$ 189,375,493

Note 17 – Commitments and Contingencies

CCS 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 statements.

Note 18 – Discretely Presented Component Unit

District 17 Community Colleges Foundation (the Foundation) is a Washington nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is organized to provide benefits to Washington State Community College District 17 (Community Colleges of Spokane) and to the students of Spokane Community College and Spokane Falls Community College. The Foundation is operated to receive, hold, invest, and properly administer the assets and to make expenditures to or for the benefit of the institutions.

As discussed in Note 1, the Foundation has been included in the reporting entity as a component unit. Although the Foundation is not deemed to be a governmental entity and uses a different reporting model, its balances and transactions have been converted to follow governmental accounting for reporting in the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position.

During the year ended June 30, 2020, CCS received $1,036,214 from the Foundation.

The Foundation leases building space to tenants under non-cancelable operating leases with terms of one to ten years. The Foundation leases all properties to CCS, with the exception of Riverpoint One, a portion of which is leased to other tenants. The Foundation has entered into an option agreement with CCS, which grants CCS an option to purchase the Riverpoint One property. The following is a schedule by years of future minimum rentals receivable under the leases at June 30, 2020.

Years Ending June 30,	Amount
2021	$ 1,932,623
2022	1,890,800
2023	1,911,953
2024	1,457,055
2025	873,480

The Foundation’s audited financial statements may be obtained by sending a written request to District 17 Community Colleges Foundation, 501 N Riverpoint Blvd, Suite 203, PO Box 6000, MS 1005, Spokane, WA 99217.

Note 19 – Subsequent Events

CCS completed the transaction with Washington State Department of Transportation (WSDOT) related to the North South Freeway construction project in FY20, with the transfer of property. A final settlement payment from WSDOT was received in November 2020 in the amount of $10,330,000.

Note 19 – Subsequent Events (continued)

The COVID-19 pandemic outbreak caused business and employment disruption in fiscal year 2021. The pandemic has caused a sudden decline in CCS student enrollment, which has resulted in lower than expected tuition revenues in fiscal years 2021 and 2022.

Both CCS colleges were awarded COVID-19 funding under the CARES Act as part of the Higher Education Emergency Relief Funding (HEERF 1). Spokane Community College was awarded $2,086,602 for the student financial aid assistance, and $2,086,602 for the institutional aid or HEERF funding. Spokane Falls Community College was awarded $1,729,156 for the student financial aid assistance, and $1,729,156 for the institutional aid or HEERF funding.

In August 2020, State of Washington Governor Inslee awarded the State Board for Community and Technical Colleges, $44,000,000 from the state's CARES Act GEERS funding. It was the general intent of the Governor that this money would backfill for lost 2020 tuition revenue. The distribution of these dollars resulted in CCS being allocated $4,354,643 in fiscal year 2021.

In fiscal year 2021, under HEERF II, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), CCS received additional federal funding. Spokane Community College received $11,026,166 for student financial aid, and $16,510,763 for institutional funding. Spokane Falls Community College received $7,744,329 for student financial aid and $10,455,488 for institutional funding.

In fiscal year 2022, under HEERF III, Strengthening Institutions, CCS received additional federal funding. Spokane Community College received $419,824 for institutional funding. Spokane Falls Community College received $274,478 for institutional funding.

In January 2022, the Chancellor of CCS announced her retirement effective December 31, 2022.

Note 20 – Restatements

CCS made the following restatements to correct beginning Net Position as of June 30, 2019:

Net position as previously reported at June 30, 2019	$ 141,104,133
Adjustments to correct unearned revenue	700,923
Adjustments to correct construction in progress	(491,290)
Net position as restated, at June 30, 2019	$ 141,313,766

Required Supplementary Information

Schedule of Proportionate Share of the Total Pension Liability*

As of June 30, 2020	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the Total pension liability	0.193659%	0.247771%	0.033840%	0.029719%
Employer's proportionate share of the Total pension liability	$ 7,446,876	$ 2,406,690	$ 837,843	$ 179,065
Employer's covered employee payroll	$ 49,743	$ 29,531,982	$ 50,743	$ 2,225,242
Employer's proportionate share of the Total pension liability as a percentage of the covered employee payroll	14970.70%	8.15%	1651.15%	8.05%
Plan fiduciary Total position as a percentage of the total pension liability	63.22%	95.77%	66.52%	96.88%

As of June 30, 2019	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the Total pension liability	0.195339%	0.246666%	0.039186%	0.034208%
Employer's proportionate share of the Total pension liability	$ 8,723,906	$ 4,211,595	$ 1,144,494	$ 153,976
Employer's covered employee payroll	$ 91,112	$ 26,973,266	$ 142,493	$ 1,964,095
Employer's proportionate share of the Total pension liability as a percentage of the covered employee payroll	9574.93%	15.61%	803.19%	7.84%
Plan fiduciary Total position as a percentage of the total pension liability	63.22%	95.77%	66.52%	96.88%

As of June 30, 2018	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the Total pension liability	0.212966%	0.263021%	0.039707%	0.033748%
Employer's proportionate share of the Total pension liability	$ 7,446,876	$ 2,406,690	$ 837,843	$ 179,065
Employer's covered employee payroll	$ 168,915	$ 25,750,072	$ 154,396	$ 1,900,639
Employer's proportionate share of the Total pension liability as a percentage of the covered employee payroll	4408.65%	9.35%	542.66%	9.42%
Plan fiduciary total position as a percentage of the total pension liability	61.24%	90.97%	65.60%	93.10%

As of June 30, 2017	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the Total pension liability	0.197071%	0.238702%	0.032119%	0.025763%
Employer's proportionate share of the Total pension liability	$ 10,583,641	$ 12,018,457	$ 1,096,616	$ 353,803
Employer's covered employee payroll	$ 504,739	$ 26,793,741	$ 177,892	$ 1,801,727
Employer's proportionate share of the Total pension liability as a percentage of the covered employee payroll	2096.85%	44.86%	616.45%	19.64%
Plan fiduciary total position as a percentage of the total pension liability	57.03%	85.82%	62.07%	88.72%

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

(continued)

Community Colleges of Spokane
Schedule of Proportionate Share of Net Pension Liability (Continued)

Schedule of Proportionate Share of the Total Pension Liability*

As of June 30, 2016	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the Total pension liability	0.209895%	0.252172%	0.034158%	0.027609%
Employer's proportionate share of the Total pension liability	$ 10,979,462	$ 9,010,249	$ 1,082,174	$ 232,965
Employer's covered employee payroll	$ 660,423	$ 26,185,869	$ 185,627	$ 1,673,142
Employer's proportionate share of the Total pension liability as a percentage of the covered employee payroll	8619.12%	176.64%	8889.95%	111.16%
Plan fiduciary total position as a percentage of the total pension liability	59.10%	89.20%	65.70%	92.48%

As of June 30, 2015	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the Total pension liability	0.208513%	0.250814%	0.014472%	0.023189%
Employer's proportionate share of the Total pension liability	$ 10,503,940	$ 5,069,856	$ 426,845	$ 74,898
Employer's covered employee payroll	$ 748,091	$ 22,388,873	$ 177,265	$ 1,300,524
Employer's proportionate share of the Total pension liability as a percentage of the covered employee payroll	8245.82%	99.39%	3506.49%	35.74%
Plan fiduciary total position as a percentage of the total pension liability	61.19%	93.29%	68.77%	96.81%

As of June 30, 2014	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the Total pension liability	0.214253%	0.253390%	0.030685%	0.023530%
Employer's proportionate share of the Total pension liability	$ 10,793,095	$ 5,121,928	$ 905,040	$ 75,999
Employer's covered employee payroll	$ 861,308	$ 21,937,205	$ 174,366	$ 809,132
Employer's proportionate share of the Total pension liability as a percentage of the covered employee payroll	1523.11%	23.35%	519.05%	9.39%
Plan fiduciary total position as a percentage of the total pension liability	61.19%	93.29%	68.77%	69.81%

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

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

Schedule of Employer Contributions*

As of June 30, 2020

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	$ 6,307	$ 3,744,660	$ 7,779	$ 340,963
Contributions in relation to the statutorily or contractually required contributions	6,307	3,744,660	7,779	340,963
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employer payroll	$ 49,743	$ 29,531,982	$ 50,743	$ 2,225,242
Contributions as a percentage of covered employee payroll	12.68%	12.68%	15.33%	15.32%

As of June 30, 2019

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	$ 11,523	$ 3,407,068	$ 21,691	$ 298,773
Contributions in relation to the statutorily or contractually required contributions	11,523	3,407,068	21,691	298,773
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employer payroll	$ 91,112	$ 26,973,266	$ 142,493	$ 1,964,095
Contributions as a percentage of covered employee payroll	12.65%	12.63%	15.22%	15.21%

As of June 30, 2018

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	$ 29,815	$ 5,068,256	$ 32,628	$ 426,025
Contributions in relation to the statutorily or contractually required contributions	29,815	5,068,256	32,628	426,025
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employer payroll	$ 168,915	$ 25,750,072	$ 154,396	$ 1,900,639
Contributions as a percentage of covered employee payroll	17.65%	19.68%	21.13%	22.41%

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

(continued)

Schedule of Employer Contributions*

As of June 30, 2017

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	$ 73,408	$ 4,315,488	$ 32,582	$ 336,007
Contributions in relation to the statutorily or contractually required contributions	73,408	4,315,488	32,582	336,007
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employer payroll	$ 504,739	$ 26,793,741	$ 177,892	$ 1,801,727
Contributions as a percentage of covered employee payroll	14.54%	16.11%	18.32%	18.65%

As of June 30, 2016

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	$ 101,437	$ 4,087,463	$ 34,144	$ 305,992
Contributions in relation to the statutorily or contractually required contributions	101,437	4,087,463	34,144	305,992
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employer payroll	$ 660,423	$ 26,185,869	$ 185,627	$ 1,673,142
Contributions as a percentage of covered employee payroll	79.63%	80.13%	280.49%	146.01%

As of June 30, 2015

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	$ 79,295	$ 2,019,361	$ 18,012	$ 81,816
Contributions in relation to the statutorily or contractually required contributions	79,295	2,019,361	18,012	81,816
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employer payroll	$ 861,308	$ 21,937,205	$ 174,366	$ 809,132
Contributions as a percentage of covered employee payroll	9.21%	9.21%	10.33%	10.11%

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

(continued)

Schedule of Employer Contributions*
As of June 30, 2014

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	$ 68,899	$ 2,062,015	$ 18,418	$ 135,125
Contributions in relation to the statutorily or contractually required contributions	68,899	2,062,015	18,418	135,125
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employer payroll	$ 748,091	$ 22,388,873	$ 177,265	$ 1,300,524
Contributions as a percentage of covered employee payroll	9.21%	9.21%	10.39%	10.39%

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

Notes to Schedule:

Valuation Date: June 30, 2018

Methods and Assumptions used to Determine Contribution Rates:

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Actuarial cost method	Entry Age Normal	aggregate	Entry Age Normal	aggregate
Amortization method	Level %	n/a	Level %	n/a
Remaining amortization period	10-year rolling			
Asset valuation method	8-year graded smoothed fair value			
Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	3.50%	3.50%	3.50%	3.50%
Investment rate of return	7.40%	7.40%	7.40%	7.40%
Mortality	RP-2000 Combined Healthy Mortality Table			

Community Colleges of Spokane
Schedule of Changes in Total Pension Liability and Related Ratios
State Board Supplemental Defined Benefit Plans
Year Ended June 30, 2020

Schedule of Changes in Total Pension Liability (TPL)	2020	2019	2018	2017
Service cost	$ 248,484	$ 203,680	$ 272,525	$ 393,759
Interest	279,516	246,372	250,450	255,430
Difference between expected and actual experience	588,945	464,500	(740,739)	(1,841,655)
Changes of assumptions	1,573,649	873,390	(250,592)	(434,682)
Benefit payments	(126,159)	(129,887)	(92,575)	(65,566)
Changes in proportional share of TPL	(84,675)	19,148	(140,491)	-
Net change in total pension liability	2,479,760	1,677,203	(701,422)	(1,692,714)
Total pension liability - beginning	7,884,894	6,207,691	6,909,113	8,601,827
Total pension liability - ending	$ 10,364,654	$ 7,884,894	$ 6,207,691	$ 6,909,113
Covered payroll	42,845,419	40,857,984	40,051,499	39,786,674
Total pension liability/(asset) as a percentage of covered payroll	24.19%	19.30%	15.50%	17.37%

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.

Changes in assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each measurement period:

- June 30, 2020, 3.87% (Municipal Bond Rate)
- June 30, 2019, 3.5% (Municipal Bond Rate)
- June 30, 2018, 3.87% (Municipal Bond Rate)

Community Colleges of Spokane
Schedule of Employer Contributions
State Board Supplemental Defined Benefit Plans
Year Ended June 30, 2020

Schedule of Contributions
State Board Supplemental Defined Benefit Plans
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
2017	$ 3,479,824	$ 3,479,824	$ -	$ 39,786,674	17.37%
2018	3,471,225	3,471,225	-	40,051,499	15.50%
2019	3,581,767	3,581,767	-	40,857,984	19.30%
2020	3,780,233	3,780,233	-	42,845,419	24.19%

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

Note to Schedule:

Changes of benefit terms: There were no changes in benefit terms.

Changes in assumptions: There were no changes in assumptions.

	2020	2019	2018
District's portion of OPEB liability	1.0165731749%	1.0110946268%	1.0261065497%
District's proportionate share of the OPEB liability	$ 59,000,476	$ 58,904,578	$ 59,779,146
District's covered-employee payroll	$ 42,845,519	$ 40,857,984	$ 40,051,499
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.20498074	1.44169076	1.49255702
Statutorily-required contributions	$ 214,154	$ 203,223	$ 197,773
Contributions related to the Statutorily-required contributions	(214,154)	(203,223)	(197,773)
Contribution (deficiency) excess	$ -	$ -	$ -
District's covered-employee payroll	$ 42,845,519	$ 40,857,984	$ 40,051,499
covered-employee payroll	0.4998282317%	0.4973887111%	0.4937967490%

Notes to Schedule:

Changes of benefit terms: There were no changes in benefit terms since only the current year is disclosed.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each measurement period:

- June 30, 2020, 3.87% (Municipal Bond Rate)
- June 30, 2019, 3.5% (Municipal Bond Rate)
- June 30, 2018, 3.87% (Municipal Bond Rate)

GASB Statement No. 75 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, CCS will present information for those years for which information is available.

Supplementary Information

Community Colleges of Spokane
Segmented Statement of Net Position
June 30, 2020

	Spokane Community College	Spokane Falls Community College	Total
CURRENT ASSETS			
Cash and cash equivalents	$ 50,748,277	$ 30,151,245	$ 80,899,522
Short term investments	6,614,468	4,412,272	11,026,740
Accounts receivable, net of allowance for doubtful accounts	17,387,769	4,975,081	22,362,850
Interest receivable	35,711	18,396	54,107
Total current assets	74,786,225	39,556,994	114,343,219
NONCURRENT ASSETS			
Long-term investments	10,109,859	6,192,475	16,302,334
Non-depreciable capital assets	21,843,651	13,403,360	35,247,011
Capital assets, net of depreciation	67,478,443	80,093,352	147,571,795
Total noncurrent assets	99,431,953	99,689,187	199,121,140
Total assets	174,218,178	139,246,181	313,464,359
Deferred outflows of resources related to OPEB	4,192,127	2,159,580	6,351,707
Deferred outflows of resources related to pensions	7,501,628	5,010,165	12,511,793
Total deferred outflows of resources	11,693,755	7,169,745	18,863,500
Total assets and deferred outflows	$ 185,911,933	$ 146,415,926	$ 332,327,859
CURRENT LIABILITIES			
Accounts payable	$ 3,010,109	$ 802,632	$ 3,812,741
Accrued liabilities	5,310,757	2,171,940	7,482,697
Compensated absences, current portion	3,624,181	2,128,486	5,752,667
Unearned revenue	5,871,320	3,161,481	9,032,801
Net pension liability	103,675	46,578	150,253
OPEB liability, current portion	2,944,426	1,516,826	4,461,252
Notes payable, current portion	163,238	573,012	736,250
Total current liabilities	21,027,706	10,400,955	31,428,661
NONCURRENT LIABILITIES			
Compensated absences, net of current portion	1,627,183	838,245	2,465,428
OPEB liability, net of current portion	35,995,888	18,543,336	54,539,224
Net pension liability, net of current portion	14,548,562	6,536,310	21,084,872
Notes payable, net of current portion	1,536,762	15,016,050	16,552,812
Total noncurrent liabilities	53,708,395	40,933,941	94,642,336
Total liabilities	74,736,101	51,334,896	126,070,997
Deferred inflows of resources related to OPEB	12,864,080	6,626,950	19,491,030
Deferred inflows of resources related to pensions	5,456,822	2,811,090	8,267,912
Total deferred inflows of resources	18,320,902	9,438,040	27,758,942
NET POSITION			
Net investment in capital assets	87,622,094	77,907,650	165,529,744
Unrestricted	5,232,836	7,735,340	12,968,176
Total net position	92,854,930	85,642,990	178,497,920
	$ 185,911,933	$ 146,415,926	$ 332,327,859

Community Colleges of Spokane
Segmented Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2020

	Spokane Community College	Spokane Falls Community College	Total
OPERATING REVENUES			
Student tuition and fees, net	$ 23,923,340	$ 11,783,139	$ 35,706,479
Auxiliary enterprise sales	3,062,663	1,580,957	4,643,620
State and local grants and contracts	27,095,573	13,958,326	41,053,899
Federal grants and contracts	13,585,065	6,998,366	20,583,431
Other operating revenues	43,827	22,577	66,404
Interest on loans to students	265,735	136,894	402,629
Total operating revenues	67,976,203	34,480,259	102,456,462
OPERATING EXPENSES			
Operating expenses	8,708,999	4,487,357	13,196,356
Salaries and wages	54,373,844	28,010,768	82,384,612
Benefits	19,969,562	10,745,625	30,715,187
Scholarships and fellowships	21,388,967	11,016,863	32,405,830
Supplies and materials	2,489,998	1,290,700	3,780,698
Depreciation	4,971,488	2,586,800	7,558,288
Purchased services	7,676,738	3,954,682	11,631,420
Utilities	1,943,806	1,001,355	2,945,161
Total operating expenses	121,523,402	63,094,150	184,617,552
LOSS FROM OPERATIONS	(53,547,199)	(28,613,891)	(82,161,090)
NONOPERATING REVENUES			
State appropriations	42,478,997	21,883,120	64,362,117
Federal Pell grant revenue	13,954,919	7,188,897	21,143,816
Gain from sale of capital assets	25,131,290	-	25,131,290
Investment income, gains and losses	573,699	337,535	911,234
Net nonoperating revenues	82,138,905	29,409,552	111,548,457
NONOPERATING EXPENSES			
Building and innovation fees	2,697,255	1,389,495	4,086,750
Interest on indebtedness	442,986	228,205	671,191
Net nonoperating expenses	3,140,241	1,617,700	4,757,941
Capital appropriations	8,286,120	4,268,608	12,554,728
Increase in net position	33,737,585	3,446,569	37,184,154
NET POSITION			
Net position, beginning of year, as restated	59,117,345	82,196,421	141,313,766
Net position, end of year	$ 92,854,930	$ 85,642,990	$ 178,497,920