

COMMUNITY COLLEGES OF SPOKANE
(a Component Unit of the State of Washington)

Financial Statements

Year Ended June 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the 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 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the year ended June 30, 2018, CCS implemented Governmental Accounting Standards Board (GASB) Statement No. 75: *Accounting and Financial Reporting for Postemployment Benefits Other Pensions*. As a result, the financial statements for the year ended June 30, 2018 reflect certain prior period adjustments as described further in note 19 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 and Schedule of Pension Contributions, Schedule of Changes in Total Pension Liability and Related Ratios, Schedule of OPEB Contributions, 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 GASB 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' basic financial statements. The *Combining 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 *Combining 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 November 15, 2021 on our consideration of CCS' 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' internal control over financial reporting and compliance.

Dawn Furr LLP

Irvine, California
November 15, 2021

Community Colleges of Spokane Trustees and Administrative Officers

Trustees and Officer list effective as of June 30, 2018:

BOARD OF TRUSTEES

Mike Wilson, Chair
Beth Thew, Vice Chair
Greg Bever
Jan Wigen
Bridget Piper

EXECUTIVE OFFICERS

Christine Johnson, Chancellor
Ryan Carstens, President, Spokane Community College
Janet Gullickson, President, Spokane Falls Community College
Lisa Hjaltalin, Chief Financial Officer
Greg Stevens, Chief Administration Officer
Stephen Chen, Chief Information Officer
Carolyn Casey, Public Information Officer
Nancy Fair-Szofran, Provost/Chief Learning Officer
Kevin Brockbank, Vice Provost for Strategic Partnerships
Glen Cosby, Vice President of Student Services, Spokane Community College
Darren Pitcher, Vice President of Student Services
Andrew Feldman, Vice President of Learning, Spokane Falls Community College
Jenni Martin, Interim Vice President of Instruction, Spokane Community College
Ken Burrus, District Director of Athletics/Physical Education
Tony Higley, Director of Foundation

Community Colleges of Spokane Management's Discussion and Analysis

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 (FS) ended June 30, 2018 (FY 2018).

This overview provides readers with an objective and easily readable analysis of the District'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 District'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 associate degrees, limited bachelor's degrees, certificates, and high school diplomas. CCS was established in 1970 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 210,000 residents and part of a metropolitan area of over 500,000. 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 the District 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 the District at a moment in time, at year-end. The statement of revenue, expenses and changes in net position and the statement of cash flows provide information about operations and activities over a period of time. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the District'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 District's financial position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the District's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Community Colleges of Spokane Management's Discussion and Analysis

Statement of Net Position

The statement of net position provides information about the District'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	<u>2018</u>	<u>2017</u>	<u>Change</u>
As of June 30th			
Assets			
Current assets	\$ 77,106,320	\$ 96,264,618	\$ (19,158,298)
Capital assets, net	163,839,788	158,165,858	5,673,930
Other assets, noncurrent	<u>26,061,647</u>	<u>13,360,868</u>	<u>12,700,779</u>
Total Assets	<u>267,007,755</u>	<u>267,791,344</u>	<u>(783,589)</u>
Deferred Outflows	<u>8,764,776</u>	<u>7,446,999</u>	<u>1,317,777</u>
Liabilities			
Current liabilities	37,515,888	21,501,675	16,014,213
Other liabilities, noncurrent	<u>101,230,119</u>	<u>52,209,937</u>	<u>49,020,182</u>
Total Liabilities	<u>138,746,007</u>	<u>73,711,612</u>	<u>65,034,395</u>
Deferred Inflows	<u>16,674,921</u>	<u>2,857,583</u>	<u>13,817,338</u>
Net Position	<u>\$ 120,351,603</u>	<u>\$ 198,669,148</u>	<u>\$ (78,317,545)</u>

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The decrease of current assets of \$19,158,298 in FY 2018 is primarily attributable to the expenditure of proceeds from a new note payable.

Net capital assets increase by \$5,673,930 from fiscal year 2017 to FY 2018, due to an increase in construction in process attributable to the SFCC gym 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, 2018, represent changes in deferred contributions and changes of assumptions related to the District's pension and OPEB. 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 increase is due to the adoption of GASB 75 and recording the current portion of the OPEB liability.

Community Colleges of Spokane Management's Discussion and Analysis

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 GASB 75 required OPEB liability of \$53,287,813, which was adopted in the current year. See additional details related to the adoption of GASB 75 in note 1 and required disclosures within notes 12, 13, and 14.

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

Net Investments in Capital Assets – The District'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. The District did not have any of these funds in FY 2018 or 2017.

Restricted Expendable – Subject to external donor or grantor stipulations regarding their use. The District may expend these assets for purposes as determined by donors and/or external entities. The District did not have any of these funds in FY 2018 or 2017.

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 the District's changes in total net position during FY 2018. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid by the District, along with any other revenue, expenses, gains and losses of the District.

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

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

Community Colleges of Spokane Management's Discussion and Analysis

A condensed comparison of the District's revenues, expense, and changes in net position for the years ended June 30, 2018 and 2017, is presented below:

Condensed Statement of Revenue, Expenses, and Changes in Net Position

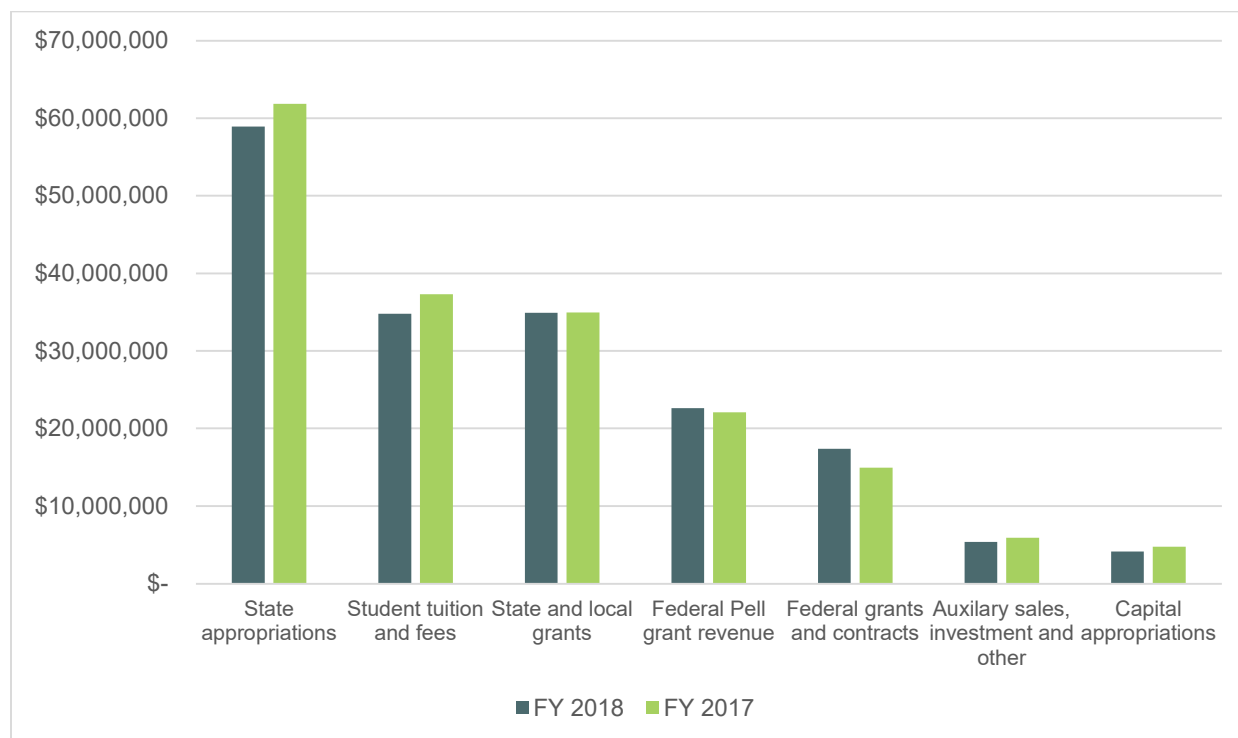
For the year ended June 30th

	2018	2017	Change
Operating revenues	\$ 94,956,808	\$ 93,210,046	\$ 1,746,762
Operating expenses	190,722,411	172,056,662	18,665,749
Net Operating Income/Loss	(95,765,603)	(78,846,616)	(16,918,987)
Nonoperating revenues	81,322,483	83,836,782	(2,514,299)
Nonoperating expenses	3,951,201	3,233,376	717,825
Income/loss before other revenues and expenses	(18,394,321)	1,756,790	(20,151,111)
Capital appropriations	4,132,268	4,760,412	(628,144)
Change from revenues and expenses	(14,262,053)	6,517,202	\$ (20,779,255)
Cumulative effect of change in accounting principle	(64,055,492)	(8,601,827)	(55,453,665)
Decrease in Net Position	\$ (78,317,545)	\$ (2,084,625)	\$ (76,232,920)

Revenues

Operating revenues increased \$1,746,762 in FY 2018, led by an increase of \$1.8 million in net student tuition and fees.

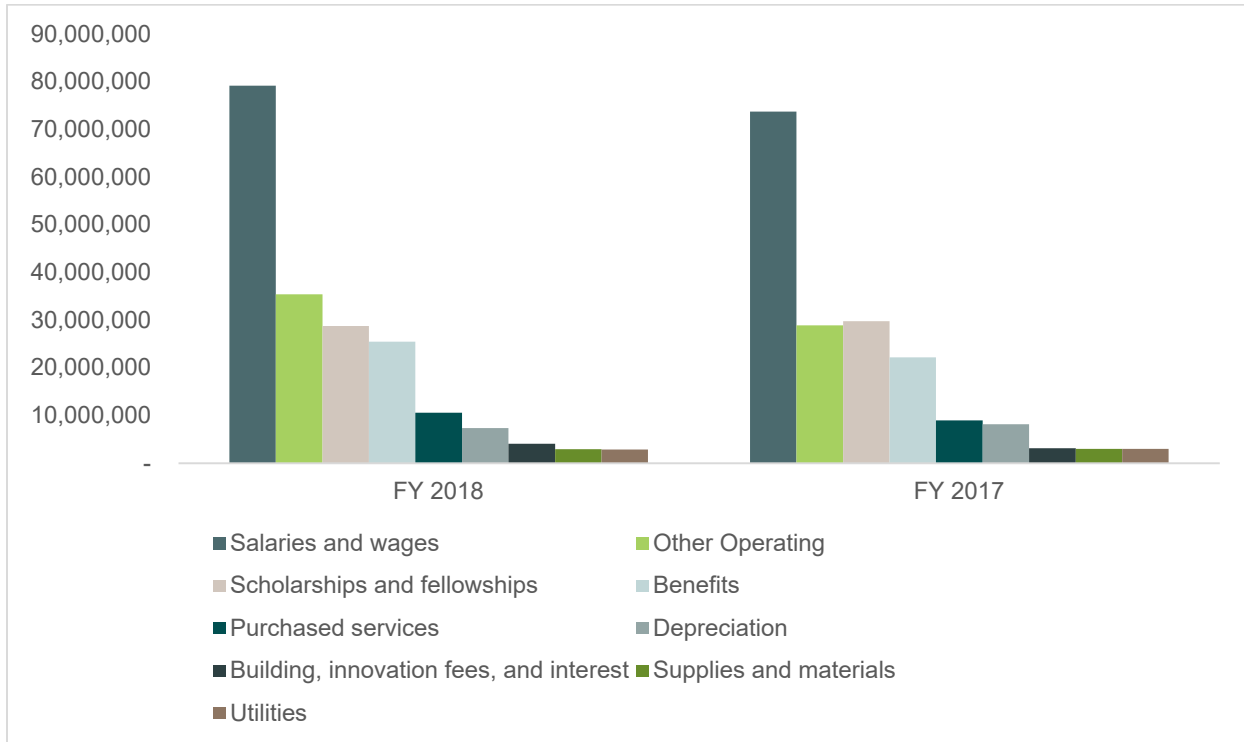
Nonoperating revenues decreased by \$2,514,299 in FY 2018, which was primarily due to a decrease in state appropriations of almost \$2.9 million.



Community Colleges of Spokane Management's Discussion and Analysis

Expenses

Operating expenses were up \$18,665,749 in FY 2018, led by a significant increase of \$10 million in other operating expenses, a \$5.2 million increase in benefits, a \$3.7 million increase in salaries and wages, offset by a decrease in scholarships and fellowships of approximately \$1 million.



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.

Community Colleges of Spokane Management's Discussion and Analysis

At June 30, 2018, CCS had \$163,839,788 in capital assets, net of accumulated depreciation. This represents an increase of \$5,673,930 from FY 2017, 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 gymnasium on the Spokane Falls Community College campus. See Note 4 in the accompanying notes to the financial statements.

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Asset Type as of June 30th			
Land	\$ 3,792,411	\$ 3,792,411	\$ -
Construction in progress	19,902,209	7,630,806	12,271,403
Buildings, net	134,673,260	140,817,270	(6,144,010)
Other improvements and infrastructure, net	74,955	103,136	(28,181)
Equipment, net	5,211,451	5,610,889	(399,438)
Library resources, net	185,502	211,346	(25,844)
Total Capital Assets, Net	<u>\$ 163,839,788</u>	<u>\$ 158,165,858</u>	<u>\$ 5,673,930</u>

At June 30, 2018, CCS had \$18,671,560 in outstanding debt, which includes a balance \$2,276,560 in unamortized premium. The District 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.

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Long Term Debt as of June 30th			
Certificates of Participation	16,395,000	\$ 16,695,000	\$ (300,000)
Unamortized premium	2,276,560	\$ 2,392,808	\$ (116,248)
Total Long Term Debt	<u>\$ 18,671,560</u>	<u>\$ 19,087,808</u>	<u>\$ (416,248)</u>

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 is based on student completion, student achievement and enrollments. This new allocation model significantly changed the District's state funding levels, resulting in a total reduction of approximately \$3.5 million spread evenly over four years. The funding level reduction for FY18 was approximately \$893,000. In addition, while the Legislature provided a general salary increase for employees, they only funded 65% of those salary increases as part of the state operating allocation, requiring the remaining 35% of that increase in cost to be paid out of college tuition funds. The District is working with the State Board of Community and Technical Colleges to mitigate these projected financial challenges.

Community Colleges of Spokane
Statement of Net Position
June 30, 2018

	ASSETS	
	June 30, 2018	Discrete Component Unit District 17 Foundation
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 57,248,465	\$ 1,823,231
Short term investments	5,741,551	-
Accounts receivable, net of allowance for doubtful accounts	14,017,206	224,935
Interest receivable	99,098	-
Other assets	-	15,743
	<u>77,106,320</u>	<u>2,063,909</u>
NONCURRENT ASSETS		
Long-term investments	26,061,647	17,260,104
Non-depreciable capital assets	23,694,620	3,459,042
Capital assets, net of depreciation	140,145,168	5,977,106
	<u>189,901,435</u>	<u>26,696,252</u>
Total noncurrent assets		
	<u>267,007,755</u>	<u>28,760,161</u>
Deferred outflows of resources related to OPEB	946,043	-
Deferred outflows of resources related to pensions	7,818,733	-
	<u>8,764,776</u>	<u>-</u>
Total deferred outflows of resources		
	<u>\$ 275,772,531</u>	<u>\$ 28,760,161</u>
Total assets and deferred outflows		

(Continued)

Community Colleges of Spokane
Statement of Net Position
(Continued)

LIABILITIES AND NET POSITION

	June 30, 2018	Discrete Component Unit District 17 Foundation
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts payable	\$ 6,895,837	\$ 96,682
Accrued liabilities	19,781,158	-
Compensated absences, current portion	4,104,725	-
Unearned revenue	3,566,044	-
Pension liability, current portion	113,701	-
OPEB liability, current portion	6,491,333	-
Notes payable, current portion	676,248	204,457
Total current liabilities	<u>41,629,046</u>	<u>301,139</u>
NONCURRENT LIABILITIES		
Deposits payable	-	1,798,456
Compensated absences, net of current portion	3,096,983	18,743
Pension liability, net of current portion	26,850,011	-
OPEB liability, net of current portion	53,287,813	-
Notes payable, net of current portion	17,995,312	5,062,108
Total noncurrent liabilities	<u>101,230,119</u>	<u>6,879,307</u>
Total liabilities	<u>142,859,165</u>	<u>7,180,446</u>
Deferred inflows of resources related to OPEB	10,392,538	-
Deferred inflows of resources related to pensions	6,282,383	-
Total deferred inflows of resources	<u>16,674,921</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	152,615,477	4,169,583
Restricted for District 17 Foundation	-	17,410,132
Unrestricted	(36,377,032)	-
Total net position	<u>116,238,445</u>	<u>21,579,715</u>
Total liabilities, deferred inflows, and net position	<u>\$ 275,772,531</u>	<u>\$ 28,760,161</u>

Community Colleges of Spokane
Statement of Revenues, Expenses, and Changes in Net Position
June 30, 2018

	Year Ended June 30, 2018	Discrete Component Unit District 17 Foundation
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances and discounts	\$ 37,459,313	\$ 126,444
Auxiliary enterprise sales	1,638,753	-
State and local grants and contracts	34,905,717	41,445
Federal grants and contracts	14,402,923	-
Rental Income	-	1,751,710
Other operating revenues	6,024,232	1,194,167
Interest on loans to students	525,870	-
Total revenues	<u>94,956,808</u>	<u>3,113,766</u>
OPERATING EXPENSES		
Operating expenses	32,719,755	2,677,370
Salaries and wages	75,663,774	848,974
Benefits	28,140,999	-
Scholarships and fellowships	28,762,912	-
Supplies and materials	4,517,182	-
Depreciation and amortization	7,501,326	-
Purchased services	10,564,376	-
Utilities	2,852,087	-
Total operating expenses	<u>190,722,411</u>	<u>3,526,344</u>
LOSS FROM OPERATIONS	<u>(95,765,603)</u>	<u>(412,578)</u>
NONOPERATING REVENUES		
State appropriations	58,928,111	-
Federal Pell grant revenue	22,630,337	-
Investment income, gains and losses	(235,965)	1,069,335
Net nonoperating revenues	<u>81,322,483</u>	<u>1,069,335</u>
NONOPERATING EXPENSES		
Building and innovation fees	7,105,766	-
Interest on indebtedness	958,593	-
Net nonoperating expenses	<u>8,064,359</u>	<u>-</u>
LOSS BEFORE CAPITAL APPROPRIATIONS	(22,507,479)	656,757
Capital appropriations	4,132,268	-
Increase (decrease) in net position	<u>(18,375,211)</u>	<u>656,757</u>
NET POSITION		
Net position, beginning of year	198,669,148	20,922,958
Cumulative effect of change in accounting principle (Note 1)	(64,055,492)	-
Net position, beginning of year, as restated	<u>134,613,656</u>	<u>-</u>
Net position, end of year	<u>\$ 116,238,445</u>	<u>\$ 21,579,715</u>

Community Colleges of Spokane
Statements of Cash Flows
For the Year Ended June 30, 2018

	<u>Community Colleges of Spokane</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 39,122,909
Grants and contracts	45,206,608
Payments to vendors	(36,290,493)
Payments for utilities	(2,852,087)
Payments to employees	(73,253,721)
Payments for benefits	(23,915,702)
Auxiliary enterprise sales	1,638,753
Payments for scholarships and fellowships	(28,762,912)
Loans issued to students and employees	525,870
Other receipts (payments)	<u>6,295,383</u>
Net cash from operating activities	<u>(72,285,392)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	58,928,111
Pell grants	22,630,337
Building and innovation fees	<u>(7,105,766)</u>
Net cash from noncapital financing activities	<u>74,452,682</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital appropriations	4,132,268
Purchases of capital assets	(13,562,655)
Principal paid on long-term debt	(300,000)
Interest paid	<u>(929,531)</u>
Net cash from capital and related financing activities	<u>(10,659,918)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(26,041,795)
Proceeds from sales and maturities of investments	23,703,228
Income from investments	<u>100,538</u>
Net cash from investing activities	<u>(2,238,029)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,730,657)
CASH AND CASH EQUIVALENTS, beginning of year	<u>67,979,122</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 57,248,465</u></u>

(Continued)

See accompanying notes.

Community Colleges of Spokane
Statements of Cash Flows
(Continued)

	Community Colleges of Spokane
OPERATING LOSS	\$ (95,765,603)
Adjustments to reconcile net loss to net cash used by operating activities	
Loss on disposal	387,399
Amortization on premium	(116,248)
Depreciation expense	7,501,326
Changes in assets and liabilities	
Receivables, net	(2,271,074)
Accounts payable	4,454,496
Accrued liabilities	9,262,130
Deferred revenue	(167,362)
Compensated absences	204,247
Deferred inflows	13,817,338
Deferred outflows	(1,317,777)
OPEB liability adjustment expense	(4,276,346)
Pension liability adjustment expense	(3,997,918)
	<hr/>
Net cash used by operating activities	<u><u>\$ (72,285,392)</u></u>

There were no significant noncash capital, financing and investing activities

Community Colleges of Spokane

Notes to Financial Statements

June 30, 2018

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 associates 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 Annual Comprehensive 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 CCS 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' 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, 2018, the Foundation distributed \$1,351,123 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, the District 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' 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.

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

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, 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.

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

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 and 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, 2018, no assets had been written down.

Unearned revenues – Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year, including tuition and fees paid with financial aid funds. CCS has recorded 2018 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.

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

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' 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' net position is classified as follows:

Net Investment in capital assets – This represents CCS' 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 – This represents 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.

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 the District'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, 2018, are \$11,777,639.

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

Community Colleges of Spokane
Notes to Financial Statements
(Continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Due to the implementation of GASB Statement No. 75, CCS had a deficit unrestricted net position of \$19,943,762, as of July 1, 2017. This new accounting standard requires CCS to recognize its portion of the State's total OPEB liability, reducing net position by a substantial amount. Additional information regarding GASB Statement No. 75 can be found in Note 14.

Note 2 – Cash and Investments

Cash and cash equivalents include bank demand deposits, petty cash held at the District, 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, 2018, the carrying amount of CCS' cash and equivalents was as follows:

Petty cash and change funds	\$ 13,909
Bank demand and time deposits	40,911,777
Local government investment pool	<u>16,322,779</u>
 Total cash and cash equivalents	 <u>\$57,248,465</u>

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, 2018:

	June 30, 2018		
	<u>Fair Value</u>	<u>One Year or Less</u>	<u>One to Five Years</u>
Investment maturities			
Time certificate of deposits	\$ 11,493,360	\$ 2,723,768	\$ 8,769,592
U.S. agency obligations	<u>20,309,838</u>	<u>3,017,783</u>	<u>17,292,055</u>
 Total investments	 <u>\$ 31,803,198</u>	 <u>\$ 5,741,551</u>	 <u>\$ 26,061,647</u>

Fair value measurement – CCS categorizes its fair value measurements within the fair value hierarchy established by GASB Statement 72. The District does not hold any securities that would be classified as Level 1, quoted in active markets, for fair value. CCS' 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.

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

Note 2 – Cash and Investments (continued)

Custodial credit risks, deposits – Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, CCS' deposits may not be returned to it. The majority of CCS' 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' 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' policy does not limit the amount CCS may invest in any one issuer. More than 5 percent of CCS' investments held in the following issuers:

<u>Investment Type</u>	<u>Issuer</u>	<u>Reported Amount</u>
US Agency Securities	Federal Farm Credit Bank	5,876,078
US Agency Securities	Federal Home Loan Bank	8,067,299
US Agency Securities	Federal Nat Mortgage Assc	5,377,669

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, 2018, none of CCS' 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. The table below shows the credit rating as of June 30, 2018 for each investment type.

Investment Type:	Rating		
	<u>Amount</u>	<u>Not Rated</u>	<u>Aaa</u>
Time certificate of deposits	\$ 11,493,360	\$ 11,493,360	\$ -
U.S. agency obligations	<u>20,309,838</u>	<u>-</u>	<u>20,309,838</u>
Total investments	<u>\$ 31,803,198</u>	<u>\$ 11,493,360</u>	<u>\$ 20,309,838</u>

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

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

Student tuition, and fees	\$ 2,453,882
Due from the federal government	1,957,873
Pell grant proceeds	2,482,784
Due from other state agencies	<u>7,147,787</u>
Subtotal	14,042,326
Less allowance for uncollectible accounts	<u>(25,120)</u>
Accounts receivable, net	<u>\$ 14,017,206</u>

Community Colleges of Spokane
Notes to Financial Statements
(Continued)

Note 4 – Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2018, is presented as follows:

	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets				
Nondepreciable capital assets				
Land	\$ 3,792,411	\$ -	\$ -	\$ 3,792,411
Construction in progress	7,630,806	15,830,359	(3,558,956)	19,902,209
Total nondepreciable capital assets	<u>11,423,217</u>	<u>15,830,359</u>	<u>(3,558,956)</u>	<u>23,694,620</u>
Depreciable capital assets				
Buildings	246,560,750	-	-	246,560,750
Other improvements and infrastructure	2,012,048	-	-	2,012,048
Equipment	20,125,198	1,291,252	(864,280)	20,552,170
Library resources	8,628,659	-	-	8,628,659
Subtotal depreciable capital assets	<u>277,326,655</u>	<u>1,291,252</u>	<u>(864,280)</u>	<u>277,753,627</u>
Less accumulated depreciation				
Buildings	105,743,480	6,144,010	-	111,887,490
Other improvements and infrastructure	1,908,912	28,181	-	1,937,093
Equipment	14,514,309	1,303,291	(476,881)	15,340,719
Library resources	8,417,313	25,844	-	8,443,157
Total accumulated depreciation	<u>130,584,014</u>	<u>7,501,326</u>	<u>(476,881)</u>	<u>137,608,459</u>
Total depreciable capital assets	<u>146,742,641</u>	<u>(6,210,074)</u>	<u>(387,399)</u>	<u>140,145,168</u>
Capital assets, net of accumulated depreciation	<u>\$ 158,165,858</u>	<u>\$ 9,620,285</u>	<u>\$ (3,946,355)</u>	<u>\$ 163,839,788</u>

Depreciation expense was \$7,501,326 for the year ending June 30, 2018.

Note 5 – Accrued Liabilities

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

	2018	2017
Amounts owed to employees	\$ 6,129,978	\$ 3,924,172
Amounts held for others and retainage	<u>13,651,180</u>	<u>6,594,856</u>
Total accrued liabilities	<u>\$ 19,781,158</u>	<u>\$ 10,519,028</u>

Note 6 – Unearned Revenue

At June 30, 2018, unearned revenue consists of receipts that have not yet met revenue recognition criteria, as follows:

Summer quarter tuition and fees	<u>\$ 3,566,044</u>
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Community Colleges of Spokane

Notes to Financial Statements

(Continued)

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, 2018, were \$128,600. Cash reserves for unemployment compensation for all employees at June 30, 2018, were \$141,782.

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 \$3,096,983 and accrued sick leave totaled \$4,104,725 at June 30, 2018.

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 between September 2018 through June 2024. As of June 30, 2018, the minimum lease payments under these operating leases consist of the following:

Community Colleges of Spokane
Notes to Financial Statements
(Continued)

Note 9 – Leases Payable (continued)

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2019	\$ 1,035,139
2020	782,213
2021	161,411
2022	161,411
2023	91,446
Thereafter	<u>91,446</u>
Total	<u>\$ 2,323,066</u>

Lease expense for the year ended June 30, 2018, was \$1,768,651.

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 funds over a term of 20 years.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 560,000	\$ 813,081	\$ 1,373,081
2020	590,000	785,081	1,375,081
2021	620,000	755,581	1,375,581
2022	645,000	740,081	1,385,081
2023	650,000	692,331	1,342,331
2024-2027	3,215,000	2,411,575	5,626,575
2028-2032	4,795,000	2,081,638	6,876,638
2033-2037	<u>5,320,000</u>	<u>823,188</u>	<u>6,143,188</u>
Subtotal	16,395,000	9,102,556	25,497,556
Add unamortized premium	<u>2,276,560</u>	<u>-</u>	<u>2,276,560</u>
Totals	<u>\$ 18,671,560</u>	<u>\$ 9,102,556</u>	<u>\$ 25,497,556</u>

Community Colleges of Spokane
Notes to Financial Statements
(Continued)

Note 11 – Schedule of Long-Term Liabilities

Long term liabilities are as follows for the year ending June 30, 2018:

Description	Balance Outstanding at June 30, 2017	Additions	Reductions	Balance Outstanding at June 30, 2018	Current Portion
Compensated absences	\$ 6,997,461	\$ 4,712,147	\$ (4,507,900)	\$ 7,201,708	\$ 4,104,725
Certificates of participation	16,695,000	-	(300,000)	16,395,000	560,000
Unamortized premium	2,392,808	-	(116,248)	2,276,560	116,248
Total pension obligation	30,961,630	3,581,756	(7,579,674)	26,963,712	113,701
OPEB Liability	66,524,487	5,950,953	(12,696,294)	59,779,146	6,491,333
Total	\$ 123,571,386	\$ 14,244,856	\$ (25,200,116)	\$ 112,616,126	\$ 11,386,007

Note 12 – Pension Plan

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year ended June 30, 2018:

	Aggregate Pension Amounts All Plans
Pension liabilities	\$ (26,963,712)
Deferred outflows of resources	7,818,733
Deferred inflows of resources	(6,282,383)
Pension expense (revenues)	(2,497,942)

Substantially all of CCS' full-time and qualifying part-time faculty participate in either the Washington State PERS or 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.

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

Note 12 – Pension Plan (continued)

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.

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.

Community Colleges of Spokane
Notes to Financial Statements
(Continued)

Note 12 – Pension Plan (continued)

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.

Contributions

CCS’ required contribution rates (expressed as a percentage of covered payroll) for the fiscal year ended June 30, 2018, are as follows:

	<u>District</u>	<u>Employee</u>
PERS:		
Plan 1	11.18%	6.00%
Plan 2/3	11.18%	6.12%
TRS:		
Plan 1	13.13%	6.00%
Plan 2/3	13.13%	5.95%

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

Note 12 – Pension Plan (continued)

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, 2018, are as follows:

	<u>Contributions</u>
PERS:	
Plan 1	\$ 29,815
Plan 2	3,885,489
Plan 3	1,182,767
TRS:	
Plan 1	\$ 32,628
Plan 2	95,101
Plan 3	330,924

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.

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.

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

Note 12 – Pension Plan (continued)

At June 30, 2018, 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	\$ -	\$ -	\$ 925,966	\$ 300,556
Net difference between projected and actual investment earnings on pension plan investments	-	377,107	-	2,436,138
Changes of assumptions	-	-	97,070	-
Changes in proportion and difference between contributions and proportionate share of contributions	-	-	1,049,371	308,337
Contributions subsequent to the measurement date	2,053,949	-	2,992,388	-
Totals	<u>\$ 2,053,949</u>	<u>\$ 377,107</u>	<u>\$ 5,064,795</u>	<u>\$ 3,045,031</u>

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.

At June 30, 2018, 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	\$ -	\$ -	\$ 77,672	\$ 15,890
Net difference between projected and actual investment earnings on pension plan investments	-	50,857	-	112,723
Changes of assumptions	-	-	3,670	-
Changes in proportion and difference between contributions and proportionate share of contributions	-	-	108,261	12,052
Contributions subsequent to the measurement date	272,501	-	237,885	-
Total	<u>\$ 272,501</u>	<u>\$ 50,857</u>	<u>\$ 427,488</u>	<u>\$ 140,665</u>

Community Colleges of Spokane
Notes to Financial Statements
(Continued)

Note 12 – Pension Plan (continued)

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 the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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
2018	\$ (254,899)	\$ (960,730)	\$ (37,355)	\$ (30,225)
2019	80,476	263,906	13,984	32,043
2020	(18,686)	(96,280)	(1,243)	3,378
2021	(183,998)	(837,755)	(26,243)	(36,748)
2022	-	224,409	-	14,909
Thereafter	-	433,826	-	65,581
Totals	\$ (377,107)	\$ (972,624)	\$ (50,857)	\$ 48,938

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined by an actuarial valuation as of June 30, 2017, with results rolled forward to June 30, 2018. 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 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 3.00% total economic inflation; 3.75% salary inflation
- Salary Increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- Investment Rate of Return: 7.50%

Mortality rates were based on the *RP-2000* report's Combined Healthy Table and Combined Disabled Table, 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. An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011, which reviewed all economic and demographic assumptions other than mortality.

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

Note 12 – Pension Plan (continued)

Discount Rate

The discount rate used to measure the TPL for all DRS plans provided by the District was 7.50 percent. To determine that rate, an asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue 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 7.50 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.50 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 7.50 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 are not 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, 2018, 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 board economic inflation.

Asset Class	Target Allocation	Percent Long-Term Expected Real Rate of Return
Fixed income	20.00%	1.70%
Tangible assets	5.00%	4.40%
Real estate	15.00%	5.80%
Global equity	37.00%	6.30%
Private equity	23.00%	9.30%
Inflation component		2.20%
Portfolio long-term expected rate of return		7.70%
Assumed investment expenses		-0.20%
Long-term expected rate of return, net of investment expenses		7.50%

Community Colleges of Spokane
Notes to Financial Statements
(Continued)

Note 12 – Pension Plan (continued)

Sensitivity of the Net Pension Liability

The table below presents CCS' proportionate share of the net pension liability (NPL) calculated using the discount rate of 7.50 percent, as well as what CCS' proportionate share of the NPL would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate.

	Employer's Proportionate Share of the Net Pension Liability / (Assets)		
	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
PERS Plan 1	\$ 12,310,309	\$ 10,105,400	\$ 8,195,477
PERS Plan 2/3	24,620,628	9,138,725	(3,546,434)
TRS Plan 1	1,492,695	1,200,419	947,434
TRS Plan 2/3	1,057,887	311,477	(294,748)
Totals	<u>\$ 39,481,519</u>	<u>\$ 20,756,021</u>	<u>\$ 5,301,729</u>

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.

At June 30, 2018, CCS reported a total pension liability (TPL) for its proportionate share of the net pension liabilities as follows:

	Net Pension Liability
PERS Plan 1	\$ 10,105,400
PERS Plan 2/3	9,138,725
TRS Plan 1	1,200,419
TRS Plan 2/3	311,477
Total	<u>\$ 20,756,021</u>

There were no CCS or faculty contribution payables to the DRS at June 30, 2018.

Community Colleges of Spokane
Notes to Financial Statements
(Continued)

Note 12 – Pension Plan (continued)

At June 30, 2018, the District’s proportionate share of the collective net pension liabilities were as follows:

PERS Plan 1	0.212966%
PERS Plan 2/3	0.263021%
TRS Plan 1	0.039707%
TRS Plan 2/3	0.033748%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2018, 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.

Pension Expense

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

	<u>PERS Plan 1</u>	<u>PERS Plan 2/3</u>	<u>TRS Plan 1</u>	<u>TRS Plan 2/3</u>	<u>Total Plans</u>
Actuarially determined pension expense	\$ 630,780	\$ 1,270,726	\$ 77,180	\$ 111,985	\$ 2,090,671
Contributions subsequent to measurement date	(2,053,949)	(2,992,388)	(272,501)	(237,885)	(5,556,723)
Amortization of change in proportionate liability	<u>832,140</u>	<u>(119,902)</u>	<u>250,855</u>	<u>5,017</u>	<u>968,110</u>
Pension expense (revenue)	<u>\$ (591,029)</u>	<u>\$ (1,841,564)</u>	<u>\$ 55,534</u>	<u>\$ (120,883)</u>	<u>\$ (2,497,942)</u>

Note 13 – State Board Retirement Plan

Plan Description

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

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, 2018, were each \$3,471,225.

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

Note 13 – State Board Retirement Plan (continued)

Benefits Provided

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

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

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

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

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2018, supplemental benefits were paid by the SBCTC on behalf of CCS in the amount of \$1,300,000. CCS' share of this amount was \$92,560. 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 2018, CCS paid into this fund at a rate of 0.50 percent of covered salaries, totaling \$199,851. This amount was not used as a part of GASB No. 73 calculations; its status as an asset has not been determined by the Legislature. As of June 30, 2018, the Community and Technical College system accounted for \$16,351,270 of the fund balance.

Actuarial Assumptions

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

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

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

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

Note 13 – State Board Retirement Plan (continued)

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

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

Discount Rate

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

Pension Expense

For the year ended June 30, 2018, CCS reported \$83,020 for pension expense in the State Board Supplemental Retirement Plans.

Service Cost	\$ 272,525
Interest Cost	250,450
Amortization of Differences Between Expected and Actual Experience	(329,993)
Amortization of Changes of Assumptions	<u>(87,376)</u>
Proportionate Share of Collective Pension Expense	105,606
Amortization of the Changes in Proportionate Share of Total Pension Liability	<u>(22,586)</u>
Total Pension Expense	<u>\$ 83,020</u>

Proportionate Shares of Pension Liabilities

CCS' proportionate share of pension liabilities for fiscal year ending June 30, 2018, was 7.12 percent. CCS' proportion of the total pension liability was based on a projection of CCS' long-term share of contributions to the pension plan to the projected contributions of all participating colleges. CCS' change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the table:

Community Colleges of Spokane
Notes to Financial Statements
(Continued)

Note 13 – State Board Retirement Plan (continued)

Proportionate Share (%) 2017	7.27%
Proportionate Share (%) 2018	7.12%
Total Pension Liability - Ending 2017	\$ 6,909,113
Total Pension Liability - Beginning 2018	<u>6,768,622</u>
Change in Proportion	<u>(140,491)</u>
Total Deferred Inflows/Outflows - 2017	1,976,857
Total Deferred Inflows/Outflows - 2018	<u>1,936,659</u>
Total Deferred Inflows/Outflows Change in Proportion	<u>(40,198)</u>
Total Change in Proportion	<u>\$ (180,689)</u>

Plan Membership

Membership of the State Board Supplemental Retirement Plans consisted of the following at June 30, 2016, the most recent actuarial valuation date:

Inactive members (or beneficiaries) currently receiving benefits	240
Inactive member entitled to but not yet receiving benefits	90
Active members	<u>0</u>
Total members	<u><u>330</u></u>

Change in Total Pension Liability

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

Service cost	\$ 272,525
Interest	250,450
Difference between expected and actual experience	(740,739)
Changes of assumptions	(250,592)
Benefit payments	(92,575)
Changes in proportional share of total pension liability	<u>(140,491)</u>
Net change in total pension liability	(701,422)
Total pension liability - beginning	<u>6,909,113</u>
Total pension liability - ending	<u>\$ 6,207,691</u>

Community Colleges of Spokane
Notes to Financial Statements
(Continued)

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 7.12 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 (6.12%) or one percentage point higher (8.12%) than the current rate:

Discount Rate Sensitivity		
1% Decrease (6.12)%	Current Discount Rate (7.12)%	1% Increase (8.12)%
\$7,080,384	\$6,207,691	\$5,481,836

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

At June 30, 2018, the State Board Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,977,605
Changes of assumptions	-	533,016
Changes in District's proportionate share of pension liability	-	158,102
	<u>\$ -</u>	<u>\$ 2,668,723</u>

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
2019	\$ (439,955)
2020	(439,955)
2021	(439,955)
2022	(439,955)
2023	(439,955)
Thereafter	<u>(468,948)</u>
Total	<u>\$ (2,668,723)</u>

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

Note 14 – Other Post-Employment Benefits

CCS' 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 FY 2018 and 2017, the monthly contribution amount was \$150 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 2018, the explicit subsidy was up to \$150 per enrollee member per month. The subsidy will increase to \$168 per enrollee member per month in calendar year 2019.

OPEB implicit and explicit subsidies as well as administrative costs are funded by the required contributions participating employers make. The Commission 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, 2017 and the reporting date of June 30, 2018. The portion of health care premiums attributed to retirees for both explicit and implicit subsidies is taken from the FY 2018 Third Quarter Update in the PEBB Financial Projection Model (PFPM) from the State Health Care Authority.

Community Colleges of Spokane
Notes to Financial Statements
(Continued)

Note 14 – Other Post-Employment Benefits (continued)

Additional information will be included in the Washington State 2018 Annual Comprehensive Financial Report on the OFMs website (www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report). Additional information on health care trends rates and other actuarial data is available on the OSA’s website (leg.wa.gov/osa).

For year ending June 30, 2018, HCA reports a total OPEB liability of \$5.8 billion. At June 30, 2018, CCS recognized its proportionate share of the OPEB liability of \$59,779,146. The OPEB liability was measured as of June 30, 2017, and the total liability used to calculate the OPEB liability was determined by an actuarial valuation as of January 1, 2017, and rolled back to June 30, 2016, and then projected forward to June 30, 2017, reflecting the plan’s service cost, assumed interest, and expected benefit payments. CCS’ proportion was based upon its headcount in relation to the headcount of all state employees at the same date resulting in allocations of 1.0261% and 1.0657% used for the measurement of its obligations as of June 30, 2018 and 2017, a reduction between years of 0.0396%. 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, 2018, CCS recognized OPEB expense of \$4,651,885 and recognized deferred outflows and inflows of resources related to the net OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 8,231,021
Changes in agency proportion	-	2,161,517
Contributions subsequent to measurement date	<u>946,043</u>	<u>-</u>
	<u>\$ 946,043</u>	<u>\$ 10,392,538</u>

The \$946,043 reported as deferred outflows resulting from transactions subsequent to the measurement date will be recognized as a reduction in the OPEB liability in the fiscal year ended June 30, 2019.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ (1,299,068)
2020	(1,299,068)
2021	(1,299,068)
2022	(1,299,068)
2023	(1,299,068)
Thereafter	<u>(3,897,198)</u>
Total	<u>\$(10,392,538)</u>

Community Colleges of Spokane
Notes to Financial Statements
(Continued)

Note 14 – Other Post-Employment Benefits (continued)

The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation:	
Economic	3.00%
Salary	3.75%
(Salaries are also expected to grow by promotions and longevity)	
Health care trend rates:	
Initial rate	7.00%
Expected by 2080	5.00%

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 2015 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 3.58% for the June 30, 2017, measurement date.

The following represents the District's proportionate share of the OPEB liability calculated using the discount rate of 3.58% 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 (2.58%) and one percentage point higher (4.58%) than the current rate:

Discount Rate Sensitivity		
1% Decrease (2.58)%	Current Discount Rate (3.58)%	1% Increase (4.58)%
\$72,937,938	\$ 59,779,146	\$49,596,353

Community Colleges of Spokane
Notes to Financial Statements
(Continued)

Note 14 – Other Post-Employment Benefits (continued)

The following represents the total OPEB liability of CCS, calculated using the health care trend rates of 7.00 percent decreasing to 5.00 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (6.00 percent decreasing to 4.00 percent) or 1 percentage point higher (8.0 percent decreasing to 6.00 percent that the current rate:

Health Care Cost Trend Rate Sensitivity		
1% Decrease (6.00)%	Current Discount Rate (7.00)%	1% Increase (8.00)%
\$48,293,272	\$ 59,779,146	\$75,194,064

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' 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, 2018.

Instruction	\$ 55,914,738
Academic support services	13,614,930
Student services	30,421,569
Institutional support	22,728,690
Operations and maintenance of plant	41,725,279
Scholarships and other student financial aid	26,977,053
Auxiliary enterprises	7,404,511
	<u>\$ 198,786,770</u>

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

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 statement.

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 (CCS) 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, 2018, CCS received \$1,351,123 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, 2018.

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	\$ 1,826,320
2020	1,681,548
2021	1,068,394
2022	904,239
2023	662,856

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.

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

Note 19 – Restatements

As discussed in Note 1, CCS implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions*, effective July 1, 2017. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement revises existing standards for measuring and reporting retiree healthcare benefits provided by the College to its employees, and requires recognizing liabilities, current and non-current, deferred outflows of resources, deferred inflow of resources and expenses. CCS has evaluated the effect of this Statement on financial reporting, with most changes in retiree healthcare (OPEB) liability being included in “Employee benefits” expense in the statement of revenue, expenses, and changes in net position.

Net Position as previously reported at June 30, 2017	\$ 198,669,148
Prior Period Adjustments:	
Net OPEB Liability	<u>(64,055,492)</u>
Net Position as restated, at June 30, 2017	<u>\$ 134,613,656</u>

Note 20 – Subsequent Events

In May of 2019, CCS entered into a Possession and Use agreement with Washington State Department of Transportation (WSDOT), related to the North South Freeway construction project. This agreement sold and transferred the ownership of specifically identified Spokane Community College land and buildings over to WSDOT for a partial payment of \$15,000,000. CCS received the initial partial payment from WSDOT of \$15,209,000 on October 10, 2019, as described in the Possession and Use agreement fully executed in May 2019.

CCS completed the transaction with WSDOT with the complete transfer of property through a final contract with WSDOT in November 2020 receiving a final payment of an additional \$10,330,000.

On February 29, 2020, State of Washington Governor Inslee issued Proclamation 20-05, which proclaimed a State of Emergency for the State of Washington due to the COVID-19 virus. On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak has caused business disruption, shelter in place orders, and resulted in a dramatic reduction in state revenue collection. In addition, the pandemic has caused a sudden decline in CCS student enrollment, which has resulted in lower-than-expected tuition revenues in fiscal years 2020 and 2021.

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.

Community Colleges of Spokane

Notes to Financial Statements

(Continued)

Note 20 – Subsequent Events (Continued)

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 and HEERF III, 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.

Required Supplementary Information

Community Colleges of Spokane
Schedule of Proportionate Share of Net Pension Liability
Year Ended June 30, 2018

	Schedule of Proportionate Share of the Total Pension Liability*			
	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	\$ 10,105,400	\$ 9,138,725	\$ 1,200,419	\$ 311,477
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	5982.54%	35.49%	777.49%	16.39%
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%
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%
	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%
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%

(Continued)

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

	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.

**Community Colleges of Spokane
Schedule of Employer Contributions
Year Ended June 30, 2018**

	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	62,628	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%	40.56%	22.41%
	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%

(Continued)

**Community Colleges of Spokane
Schedule of Employer Contributions
(Continued)**

	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%

	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: 6/30/2015

Methods and Assumptions used to Determine Contribution Rates:

	PERS Plan			
	PERS Plan 1	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	3.00%	3.00%	3.00%	3.00%
Salary increases	9.75%	9.75%	8.85%	8.85%
Investment rate of return	7.70%	7.70%	7.70%	7.70%
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, 2018

Schedule of Changes in Total Pension Liability (TPL)	2018	2017
Service cost	\$ 272,525	\$ 393,759
Interest	250,450	255,430
Difference between expected and actual experience	(740,739)	(1,841,655)
Changes of assumptions	(250,592)	(434,682)
Benefit payments	(92,575)	(65,566)
Changes in proportional share of TPL	(140,491)	-
Net change in total pension liability	(701,422)	(1,692,714)
Total pension liability - beginning	6,909,113	8,601,827
Total pension liability - ending	\$ 6,207,691	\$ 6,909,113
Covered payroll	40,051,499	39,786,674
Total pension liability/(asset) as a percentage of covered payroll	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.

Community Colleges of Spokane
Schedule of Employer Contributions
State Board Supplemental Defined Benefit Plans
Year Ended June 30, 2018

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%

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 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 period:

- June 30, 2018, 3.58% (Municipal Bond Rate)

Community Colleges of Spokane
Schedule of Changes in Total OPEB Liability and Related Ratios
Year Ended June 30, 2018

	2018
District's portion of OPEB liability	1.0261065497%
District's proportionate share of the OPEB liability	\$ 59,779,146
District's covered-employee payroll	\$ 40,051,499
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.49255702

	2018
Statutorily-required contributions	\$ 197,773
Contributions related to the Statutorily-required contributions	(197,773)
Contribution (deficiency) excess	\$ -
District's covered-employee payroll	\$ 40,061,598
Contribution as a percentage of covered-employee payroll	0.4936722694%

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 period:

- June 30, 2018, 3.58% (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, the District will present information for those years for which information is available.

Supplementary Information

Community Colleges of Spokane
Statement of Net Position
June 30, 2018

	Spokane Community College	Spokane Falls Community College	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 35,415,215	\$ 21,833,250	\$ 57,248,465
Short term investments	3,427,087	2,314,464	5,741,551
Accounts receivable, net of allowance for doubtful accounts	8,400,534	5,616,672	14,017,206
Interest receivable	65,405	33,693	99,098
Total current assets	<u>47,308,241</u>	<u>29,798,079</u>	<u>77,106,320</u>
NONCURRENT ASSETS			
Long-term investments	17,200,687	8,860,960	26,061,647
Non-depreciable capital assets	10,813,291	12,881,329	23,694,620
Capital assets, net of depreciation	<u>63,956,736</u>	<u>76,188,432</u>	<u>140,145,168</u>
Total noncurrent assets	<u>91,970,714</u>	<u>97,930,721</u>	<u>189,901,435</u>
Total assets	<u>139,278,955</u>	<u>127,728,800</u>	<u>267,007,755</u>
Deferred outflows of resources related to OPEB	624,388	321,655	946,043
Deferred outflows of resources related to pensions	<u>5,160,365</u>	<u>2,658,368</u>	<u>7,818,733</u>
Total deferred outflows of resources	<u>5,784,753</u>	<u>2,980,023</u>	<u>8,764,776</u>
Total assets and deferred outflows	<u>\$ 145,063,708</u>	<u>\$ 130,708,823</u>	<u>\$ 275,772,531</u>
CURRENT LIABILITIES			
Accounts payable	\$ 6,288,303	\$ 607,534	\$ 6,895,837
Accrued liabilities	14,242,435	5,538,723	19,781,158
Compensated absences, current portion	2,709,118	1,395,607	4,104,725
Unearned revenue	2,851,167	714,877	3,566,044
Net pension liability	81,865	31,836	113,701
OPEB liability, current portion	4,673,760	1,817,573	6,491,333
Notes payable, current portion	<u>80,000</u>	<u>596,248</u>	<u>676,248</u>
Total current liabilities	<u>30,926,648</u>	<u>10,702,398</u>	<u>41,629,046</u>
NONCURRENT LIABILITIES			
Compensated absences, net of current portion	2,044,009	1,052,974	3,096,983
OPEB liability, net of current portion	38,367,225	14,920,588	53,287,813
Net pension liability, net of current portion	17,721,007	9,129,004	26,850,011
Notes payable, net of current portion	<u>2,007,312</u>	<u>15,988,000</u>	<u>17,995,312</u>
Total noncurrent liabilities	<u>60,139,553</u>	<u>41,090,566</u>	<u>101,230,119</u>
Total liabilities	<u>91,066,201</u>	<u>51,792,964</u>	<u>142,859,165</u>
Deferred inflows of resources related to OPEB	6,859,075	3,533,463	10,392,538
Deferred inflows of resources related to pensions	<u>4,146,373</u>	<u>2,136,010</u>	<u>6,282,383</u>
Total deferred inflows of resources	<u>11,005,448</u>	<u>5,669,473</u>	<u>16,674,921</u>
NET POSITION			
Net investment in capital assets	62,013,189	82,059,576	152,615,477
Unrestricted	<u>(19,021,130)</u>	<u>(8,813,190)</u>	<u>(36,377,032)</u>
Total net position	<u>42,992,059</u>	<u>73,246,386</u>	<u>116,238,445</u>
	<u>\$ 145,063,708</u>	<u>\$ 130,708,823</u>	<u>\$ 275,772,531</u>

Community Colleges of Spokane
Segment Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2018

	Spokane Community College	Spokane Falls Community College	Total
OPERATING REVENUES			
Student tuition and fees, net	\$ 24,723,147	\$ 12,736,166	\$ 37,459,313
Auxiliary enterprise sales	1,081,577	557,176	1,638,753
State and local grants and contracts	23,037,773	11,867,944	34,905,717
Federal grants and contracts	9,505,929	4,896,994	14,402,923
Other operating revenues	3,975,993	2,048,239	6,024,232
Interest on loans to students	347,074	178,796	525,870
	<u>62,671,493</u>	<u>32,285,315</u>	<u>94,956,808</u>
OPERATING EXPENSES			
Operating expenses	21,595,038	11,124,717	32,719,755
Salaries and wages	49,938,091	25,725,683	75,663,774
Benefits	18,573,059	9,567,940	28,140,999
Scholarships and fellowships	18,983,522	9,779,390	28,762,912
Supplies and materials	2,981,340	1,535,842	4,517,182
Depreciation	4,950,875	2,550,451	7,501,326
Purchased services	6,972,488	3,591,888	10,564,376
Utilities	1,882,377	969,710	2,852,087
	<u>125,876,790</u>	<u>64,845,621</u>	<u>190,722,411</u>
LOSS FROM OPERATIONS	<u>(63,205,297)</u>	<u>(32,560,306)</u>	<u>(95,765,603)</u>
NONOPERATING REVENUES			
State appropriations	38,892,553	20,035,558	58,928,111
Federal Pell grant revenue	14,936,022	7,694,315	22,630,337
Investment income, gains and losses	(155,737)	(80,228)	(235,965)
	<u>53,672,838</u>	<u>27,649,645</u>	<u>81,322,483</u>
NONOPERATING EXPENSES			
Building and innovation fees	4,689,806	2,415,960	7,105,766
Interest on indebtedness	632,671	325,922	958,593
	<u>5,322,477</u>	<u>2,741,882</u>	<u>8,064,359</u>
Capital appropriations	<u>2,727,297</u>	<u>1,404,971</u>	<u>4,132,268</u>
Increase in net position	(12,127,639)	(6,247,572)	(18,375,211)
NET POSITION			
Net position, beginning of year	97,396,323	101,272,825	198,669,148
Cumulative effect of change in accounting principle (Note 1)	<u>(42,276,625)</u>	<u>(21,778,867)</u>	<u>(64,055,492)</u>
Net position, beginning of year, as restated	<u>55,119,698</u>	<u>79,493,958</u>	<u>134,613,656</u>
Net position, end of year	<u>\$ 42,992,059</u>	<u>\$ 73,246,386</u>	<u>\$ 116,238,445</u>