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

Financial Statements

Year Ended June 30, 2016

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DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Trustees
Community Colleges of Spokane
Spokane, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Community Colleges of Spokane (CCS), Spokane County, Washington, a component unit of the State of Washington, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise CCS' 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 and the aggregate discretely presented component unit of CCS, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2016 reflect certain prior period adjustments as descried further in note 16 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 Employer Contributions* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CCS' basic financial statements. The *Trustees and Administrative*

Officers, and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 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 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.

Davis Farr LLP

Irvine, California
June 10, 2021

Trustees and Officer list effective as of June 30, 2016:

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 College) for the fiscal year ended June 30, 2016 (FY 2016), with comparative FY 2015 financial information.

This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity
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. The College confers associates degrees, limited bachelor's degrees, certificates and high school diplomas. The College 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 215,000 residents and part of a metropolitan area of over 500,000. Spokane Community College 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 and its one center offers an extensive array of college transfer associate's degrees as well as professional technical programs. A bachelor's degree program launched in the Fall of 2016. The College is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements
The financial statements presented in this report encompass the College and its component unit, the Community Colleges of Spokane Foundation. The College's financial statements include the statement of net position; the statement of revenues, expenses and changes in net position, and the statement of cash flows. The statement of net position provides information about the College 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 College'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 College's financial position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

During 2016, the College adopted GASB Statement No. 72, Fair Value Measurement and Application, which is effective for financial statement periods beginning after June 15, 2015. The Statement requires use of a three-level hierarchy based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The College has adopted this new Statement for the year ending June 30, 2016.

Statement of Net Position

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

Condensed Statement of Net Position	2016	2015
As of June 30th		
Assets		
Current assets	$ 77,169,660	$ 67,222,254
Capital assets, net	158,199,394	160,011,598
Other assets, noncurrent	14,872,547	26,828,967
Total Assets	250,241,601	254,062,819
Deferred Outflows	3,810,494	2,333,757
Liabilities		
Current liabilities	23,519,607	11,715,893
Other liabilities, noncurrent	26,563,036	26,042,471
Total Liabilities	50,082,643	37,758,364
Deferred Inflows	3,215,679	7,112,013
Net Position	$ 200,753,773	$ 211,526,199

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The increase of current assets of $9,947,406 in FY 2016 is primarily attributable to a shift of investments from noncurrent to current.

Net capital assets decreased by $1,812,204 from FY 2015 to FY 2016, as depreciation expense exceeded the investment in new plant and equipment.

Noncurrent assets consist of the long-term portion of certain investments. The College has shifted investments, primarily CD's and government securities, to shorter terms in order to secure higher rates of return, thus the sizable decrease in this category.

Deferred outflows (and the related deferred inflow liability) as of June 30, 2016 represent the asset and liability required by the implementation of GASB 68. See footnotes 1, 5, and 14 for discussion of these items and the pension liability referred to below.

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

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. For FY 2016, this category also includes the GASB 68 required pension liability of $21,304,850.

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

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

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 College's changes in total net position during FY 2016. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid by the College, along with any other revenue, expenses, gains and losses of the College.

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

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

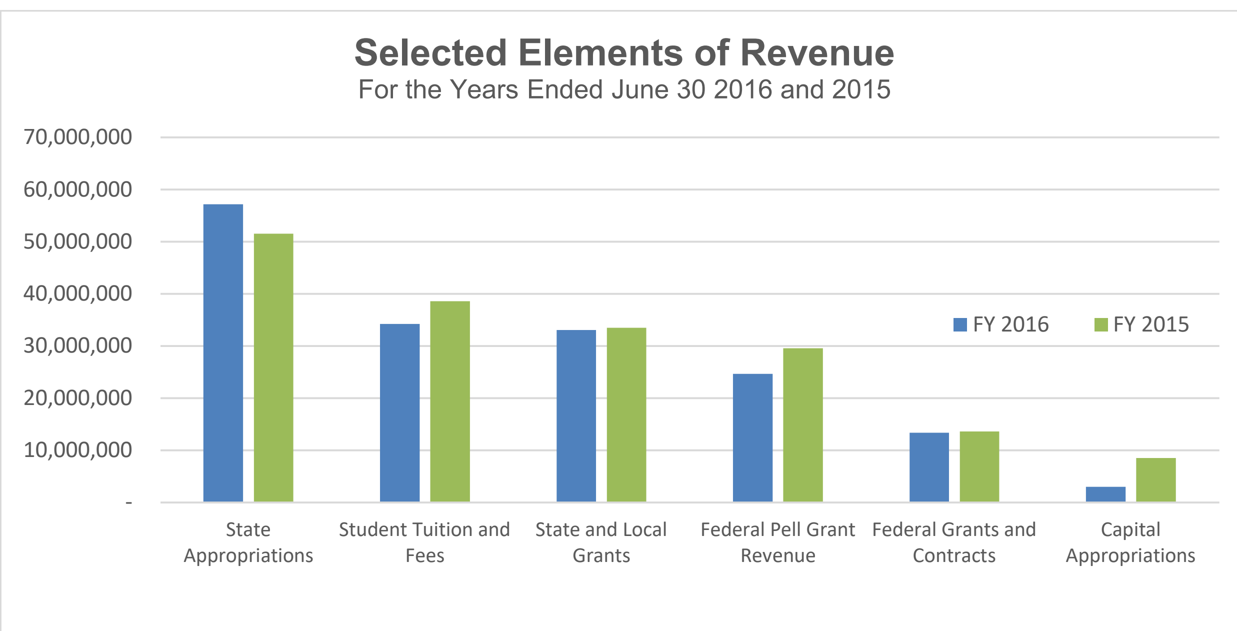
A condensed comparison of the College's revenues, expense, and changes in net position for the years ended June 30, 2016 and 2015, is presented below.

Condensed Statement of Revenue, Expenses, and Changes in Net Position	2016	2015
For the year ended June 30th		
Operating revenues	$ 85,765,934	$ 91,061,654
Operating expenses	178,328,814	172,478,871
Net Operating Income/Loss	(92,562,880)	(81,417,217)
Nonoperating revenues	81,814,913	81,448,367
Nonoperating expenses	5,429,798	5,064,307
Income/loss before other revenues and expenses	(16,177,765)	(5,033,157)
Capital appropriations	2,983,053	8,486,459
Increase (decrease) in Net Position	$ (13,194,712)	$ 3,453,302

Revenues

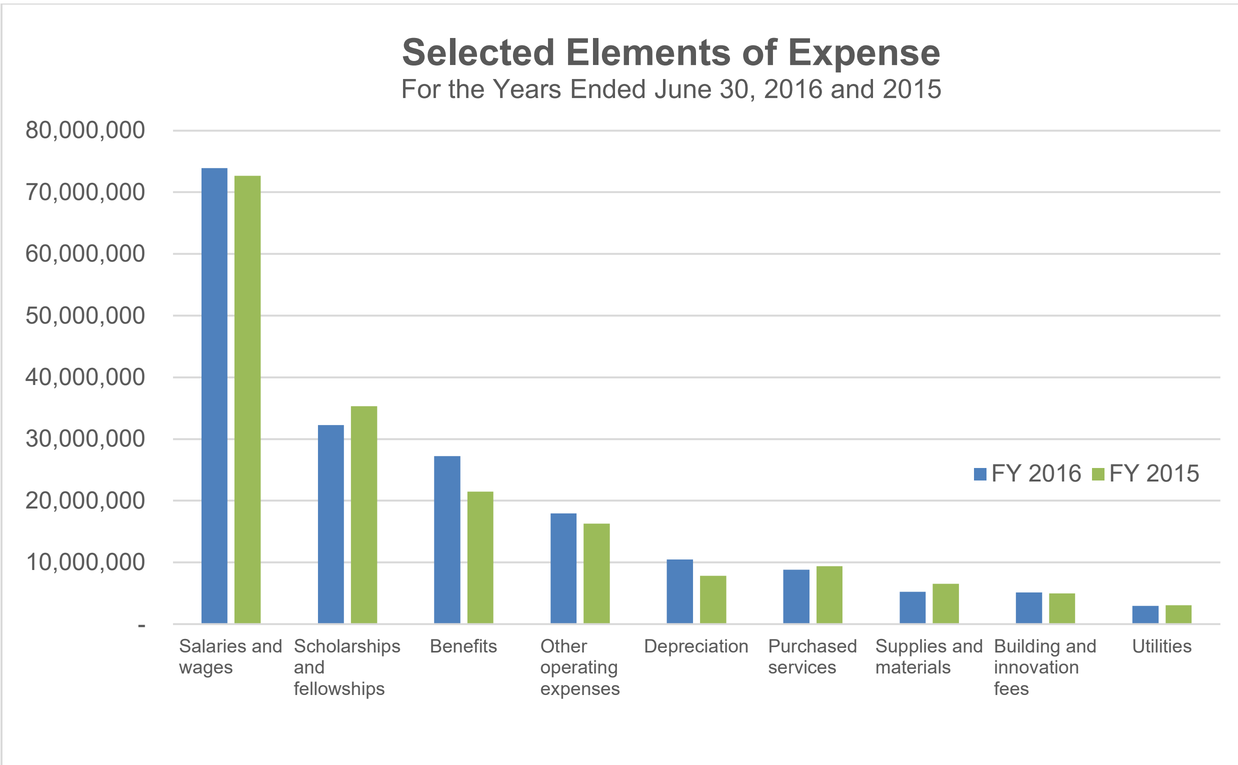
Operating revenues declined $5,295,720 in FY 2016, led by a $4.3 million decline in student tuition and fees, net of scholarships allowances and discounts. Auxiliary enterprise sales declined related to costs associated with the transfer of the bookstore operations to an outside vendor in mid-FY 2016, which additionally relates to the increase in other revenue.

Nonoperating revenues remained consistent increasing by $366,546. Increase led by a $5.7 million increase in state appropriations and offset by a decrease of $4.9 million in federal Pell grant revenue.



Expenses

Operating expenses were up $5,849,943 in FY 2016, led by a significant increase of $5.8 million in benefit expenses, and a modest increase to salaries and wages expense. Additionally, scholarship and fellowship decreased by $3.0 million, and supplies and materials decreased by $1.2 million. Capital projects were completed at the end of the prior year, and beginning on the current year, resulting in a depreciation expense increase of $2.7 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.

At June 30, 2016, the College had invested $158,199,394 in capital assets, net of accumulated depreciation. This represents a decrease of $1,812,204 from FY 2015, as shown in the table below. Also see Note 4 in the accompanying Notes to the Financial Statements.

Asset Type as of June 30th	2016	2015
Land	$ 3,792,411	$ 3,792,411
Construction in progress	-	204,479
Buildings, net	147,287,343	150,434,333
Other improvements and infrastructure, net	108,604	112,007
Equipment, net	6,773,846	5,205,334
Library resources, net	237,190	263,034
Total Capital Assets, Net	$ 158,199,394	$ 160,011,598

At June 30, 2016, the College had $1,835,000 in outstanding debt. The College entered into a Certificate of Participation (COP) for the Spokane Community College Student Services Building remodel during fiscal year 2014. Also see Note 11.

Long Term Debt as of June 30th	2016	2015
Certificates of Participation	$ 1,835,000	$ 1,905,000

Economic Factors That Will Affect the Future

Following a trend that began in FY 2009, the College's state operating appropriations generally declined through FY 2019. The state has been reducing its investment in higher education for several years.

In FY 2016, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the Colleges. While the Legislature did partially mitigate the reduction in tuition revenue by "backfilling" some of the loss of tuition, it did not fully restore the lost revenue.

In addition to the declining state operating appropriations, since FY 2016 CCS has seen a decline in enrollments which has resulted in a reduction of tuition revenue. This reduction in enrollments has been partially offset by the Legislature approving a modest tuition increase each year starting in FY 2018.

In FY 2020 the sudden onset of the COVID-19 pandemic during early spring caused an unforeseen decline in student enrollment and corresponding tuition revenue. In addition, the economic impacts of closing down businesses across the state, caused a dramatic decline in state revenues. The effects of this decline in student tuition revenue, and state appropriated revenue have had an unprecedented effect on the CCS operating budget.

Community Colleges of Spokane
Statement of Net Position
June 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Community Colleges of Spokane	Discrete Component Unit District 17 Foundation
CURRENT ASSETS		
Cash and cash equivalents	$ 60,545,227	$ 1,596,849
Short term investments	5,776,322	-
Accounts receivable, net of allowance for doubtful accounts	10,809,798	241,135
Interest receivable	38,313	-
Other assets	-	21,202
Total current assets	77,169,660	1,859,186
NONCURRENT ASSETS		
Long-term investments	14,872,547	15,260,573
Capital assets, net of depreciation	158,199,394	9,804,516
Total noncurrent assets	173,071,941	25,065,089
Total assets	250,241,601	26,924,275
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	3,810,494	-
Total assets and deferred outflows	$ 254,052,095	$ 26,924,275
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts payable	$ 4,079,608	$ 76,371
Accrued liabilities	11,973,429	-
Compensated absences	4,507,900	-
Unearned revenue	2,888,670	-
Notes payable, current portion	70,000	170,874
Total current liabilities	23,519,607	247,245
NONCURRENT LIABILITIES		
Deposits payable	-	1,765,434
Compensated absences, net of current portion	3,493,186	44,424
Net pension liability	21,304,850	-
Notes payable, net of current portion	1,765,000	5,104,311
Total noncurrent liabilities	26,563,036	6,914,169
Total liabilities	50,082,643	7,161,414
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	3,215,679	-
Total liabilities and deferred inflows	53,298,322	7,161,414
NET POSITION		
Net investment in capital assets	156,364,394	4,529,331
Restricted for District 17 Foundation	-	15,233,530
Unrestricted	44,389,379	-
Total net position	200,753,773	19,762,861
Total liabilities, deferred inflows, and net position	$ 254,052,095	$ 26,924,275

See accompanying notes.

Community Colleges of Spokane
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

	Community Colleges of Spokane	Discrete Component Unit District 17 Foundation
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances and discounts	$ 34,246,351	$ 121,853
Auxiliary exterprise sales	1,616,185	-
State and local grants and contracts	33,067,592	122,600
Federal grants and contracts	13,364,234	-
Rental income	-	1,701,336
Other operating revenues	3,367,063	1,128,474
Interest on loans to students	104,509	-
Total revenues	85,765,934	3,074,263
OPERATING EXPENSES		
Operating expenses	17,939,670	2,472,803
Salaries and wages	73,900,947	809,465
Benefits	27,241,002	-
Scholarships and fellowships	32,266,107	-
Supplies and materials	7,645,949	-
Depreciation	7,526,494	-
Purchased services	8,833,250	-
Utilities	2,975,395	-
Total operating expenses	178,328,814	3,282,268
Operating loss	(92,562,880)	(208,005)
NONOPERATING REVENUES		
State appropriations	57,177,019	-
Federal Pell grant revenue	24,621,575	-
Investment income, gains and losses, net	16,319	(478,813)
Net nonoperating revenues	81,814,913	(478,813)
NONOPERATING EXPENSES		
Building and innovation fees	5,132,713	-
Interest on indebtedness	86,481	-
Loss on disposal of assets	210,604	-
Net nonoperating expenses	5,429,798	-
Loss before other revenues, expenses, gains or losses	(16,177,765)	(686,818)
Capital appropriations	2,983,053	-
Decrease in net position	(13,194,712)	(686,818)
NET POSITION		
Net position, beginning of year (as restated)	213,948,485	20,449,679
Net position, end of year	$ 200,753,773	$ 19,762,861

See accompanying notes.

Community Colleges of Spokane
Statements of Cash Flows
For the Year Ended June 30, 2016

	Community Colleges of Spokane
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	$ 37,100,037
Grants and contracts	46,547,810
Payments to vendors	(16,446,526)
Payments for utilities	(2,975,395)
Payments to employees	(73,174,153)
Payments for benefits	(27,247,701)
Auxiliary enterprise sales	1,616,185
Payments for scholarships and fellowships	(32,266,107)
Loans issued to students and employees	104,509
Other payments	(10,232,788)
Net cash from operating activities	(76,974,129)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations received	57,177,019
Pell grants received	24,273,038
Building and innovation fees paid	(5,132,713)
Net cash from noncapital financing activities	76,317,344
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital appropriations paid	2,983,053
Purchases of capital assets	(3,502,608)
Principal paid on capital debt	(70,000)
Interest paid	(86,481)
Net cash from capital and related financing activities	(676,036)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(5,997,147)
Proceeds from sales and maturities of investments	16,223,631
Income of investments	16,319
Net cash from investing activities	10,242,803
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,909,982
CASH AND CASH EQUIVALENTS, beginning of year	51,635,245
CASH AND CASH EQUIVALENTS, end of year	$ 60,545,227

(Continued)

See accompanying notes.

Community Colleges of Spokane
Statements of Cash Flows
(Continued)

	Community Colleges of Spokane
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES	
Operating Loss	$ (92,562,880)
Adjustments to reconcile net operting loss to net cash from operating activities	
Depreciation expense	7,526,494
Changes in assets and liabilities	
Receivables, net	1,041,049
Accounts payable	954,522
Accrued liabilities	6,896,677
Deferred revenue	(555,385)
Compensated absences	689,677
Deferred inflows	(3,896,334)
Deferred outflows	(1,476,737)
Pension liability	4,408,788
Net cash used by operating activities	$ (76,974,129)

There were no noncash capital, financing and investing activities

See accompanying notes.

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. The two campuses are Spokane Community College (SCC) and Spokane Falls Community College (SFCC). 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 one of 34 state community and technical colleges that is included in the annual financial report of the State of Washington (State). The governing boards of the 34 state community and technical colleges are appointed by the Governor. The governing board of each college and university appoints a president to function as chief administrator. The Legislature approves budgets and budget amendments for the appropriated funds of each college and university, which include the state’s General Fund as well as certain capital projects funds. The State Treasurer issues general obligation debt for major campus construction projects. However, the colleges and universities are authorized to issue revenue bonds.

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, 2016, the Foundation distributed $1,155,622 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 College presents a Management’s Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements. The format provides a comprehensive, entity-wide perspective of 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.

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 CCS 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.

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, 2016, 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 2016 summer quarter tuition and fees and advanced grant proceeds as unearned revenues.

Notes payable – Notes payable consist of a certificate of participation payable which was entered into in fiscal year 2013. At issuance, the principal balance was $2,040,000 for 20 years, with a fixed interest rate of 4.18%. Principal payments are made annually, and interest payments bi-annually.

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.

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

Classification of revenues and expenses – CCS has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues – This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state, and local grants and contracts that primarily support the operational/educational activities of the College.

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 Pell Grants received from the federal government.

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

Scholarship discounts and allowances – Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by CCS, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State, or non-governmental programs are recorded as either operating or non-operating revenues in CCS' 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, 2016, are $16,380,181.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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 ERP software across the entire system. On a monthly basis, the College remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses, and changes in net position.

Accounting pronouncements and reporting changes – In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. This Statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. CCS currently only invests in the Local Government Investment Pool (LGIP) and has no other investments. The LGIP is managed by the Office of the State Treasurer and prepares its own financial report that meets GASB standards. CCS has adopted the pronouncement within the current year, see related disclosure within note 2.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which identifies the hierarchy of generally accepted accounting principles (GAAP). The Statement reduced the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. CCS adopted this pronouncement and has adhered to this hierarchy of GAAP.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement is intended to improve financial reporting of governments whose employees are provided with pensions that are not within the scope of Statement No. 68, improve the usefulness of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions not within the scope of Statement No. 68, and to clarify the application of certain provisions of Statements No. 67 and 68. CCS has adopted the pronouncement within the current year, see related disclosure within note 13.

Note 1 – Summary of Significant Accounting Policies (continued)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective for CCS' year ending June 30, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. CCS is currently working with SBCTC to determine the financial impact.

In March 2016, the GASB issued Statement No. 82, *Pension Issues*-an Amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement addresses issues regarding the presentation of payroll-related measures in the required supplementary information. CCS has implemented this standard early in relation to the RSI presented with its financial statements.

Note 2 – Cash and Investments

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

As of June 30, 2016, the carrying amount of CCS' cash and equivalents was as follows:

Cash and cash equivalents	
Petty cash and change funds	$ 12,890
Bank demand and time deposits	51,182,013
Local government investment pool	9,350,324
Total cash and cash equivalents	$ 60,545,227

Note 2 – Cash and Investments (continued)

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.

	Fair Value	One Year or Less	One to Five Years
Investment maturities			
Time certificate of deposits	$ 4,080,774	$ 2,716,952	$ 1,363,822
U.S. government treasury	1,990,960	-	1,990,960
U.S. agency obligations	14,577,135	3,059,370	11,517,765
Total investments	$ 20,648,869	$ 5,776,322	$ 14,872,547

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

Custodial credit risks, deposits – Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, CCS' 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 college operating investments to the highest quality sectors of the domestic fixed income market and specifically excludes corporate stocks, corporate and foreign bonds, futures contracts, commodities, real estate, limited partnerships, and negotiable certificates of deposit. CCS policy does not limit the amount CCS may invest in any one issuer.

Note 2 – Cash and Investments (continued)

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, 2016, 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, 2016 for each investment type.

		Rating	
Investment Type	Amount	Not Rated	Aaa
Time certificate of deposits	$ 4,080,774	4,080,774	-
U.S. government treasury	1,990,960	1,990,960	-
U.S. agency obligations	14,577,135	4,527,080	10,050,055
Total investments	$ 20,648,869	10,598,814	10,050,055

Investment expenses – Investment income for CCS is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2016, were $688.

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, 2016, accounts receivable were as follows:

Accounts receviable	
Student tuition and fees	$ 4,323,776
Due from the federal government	1,034,080
Pell grant proceeds	2,055,299
Due from other state agencies	3,420,889
Other	874
Subtotal	10,834,918
Less allowance for uncollectible accounts	(25,120)
Accounts receivable, net	$ 10,809,798

Note 4 – Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2016, is presented as follows.

Capital assets	Beginning Balance *	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	$ 3,792,411	$ -	$ -	$ 3,792,411
Construction in progress	204,479	(204,479)	-	-
Total nondepreciable capital assets	3,996,890	(204,479)	-	3,792,411
Depreciable capital assets				
Buildings	243,338,077	2,960,827	-	246,298,904
Other improvements and infrasture	2,012,048	-	-	2,012,048
Equipment	20,260,925	746,260	(794,967)	20,212,218
Library resources	8,628,659	-	-	8,628,659
Subtotal depreciable capital assets	274,239,709	3,707,087	(794,967)	277,151,829
Less accumulated depreciation				
Buildings	92,903,744	6,107,817	-	99,011,561
Other improvements and infrasture	1,900,041	3,403	-	1,903,444
Equipment	12,633,305	1,389,430	(584,363)	13,438,372
Library resources	8,365,625	25,844	-	8,391,469
Total accumulated depreciation	115,802,715	7,526,494	(584,363)	122,744,846
Total depreciable capital assets	158,436,994	(3,819,407)	(210,604)	154,406,983
Capital assets, net of accumulated depreciation	$ 162,433,884	$ (4,023,886)	$ (210,604)	$ 158,199,394

* - as restated

The current year depreciation expense was $10,489,637.

Note 5 – Accounts Payable and Accrued Liabilities

At June 30, 2016, accrued liabilities are the following:

Accounts payable	$ 4,079,608
Amounts owed to employees	4,679,738
Amounts held for others and retainage	7,293,691
	$ 16,053,037

Note 6 – Unearned Revenue

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

Summer quarter tuition and fees	$ 2,873,844
Other deposits	14,826
	$ 2,888,670

Note 7 – Risk Management

CCS is exposed to various risk of loss related to tort liability, injuries to employees, errors and omissions, theft of, damage to, and destruction of assets, and natural disasters. 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 from July 1, 2015 through June 30, 2016, were $206,287 Cash reserves for unemployment compensation for all employees at June 30, 2016, were $462,344.

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 CCS 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 $3,000,542 and accrued sick leave totaled $5,000,544 at June 30, 2016.

Note 8 – Compensated Absences (continued)

Accrued vacation and sick leave are categorized as non-current liabilities. Compensatory time totaled $624,344 at June 30, 2020, which is categorized as a current liability since it must be used before other leave and has been classified within accrued liabilities within the statement of net position. Additionally, this has been disclosed within Note 5, and is one of the balances included in the amounts owed to employees.

Note 9 – Leases Payable

CCS has leases for office equipment with various vendors. These leases are classified as operating leases. As of June 30, 2016, the minimum lease payments under these operating leases consist of the following:

Leases payable	Operating Leases
2017	$ 1,548,173
2018	1,420,128
2019	1,022,332
2020	768,754
2021	161,411
Totals	$ 4,920,798

The current year lease expense was $1,542,931.

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. This note is secured by real property and matures on June 1, 2037.

Note 10 – Notes Payable (continued)

CCS' debt service requirements for this note agreement for the next five years and thereafter are as follows:

Year Ending June 30	Principal	Interest	Total
2017	$ 70,000	$ 84,381	$ 154,381
2018	75,000	81,581	156,581
2019	80,000	77,831	157,831
2020	85,000	73,831	158,831
2021	90,000	69,581	159,581
2022–2026	500,000	277,906	777,906
2027–2031	640,000	150,756	790,756
2032–2033	295,000	20,400	315,400
Totals	$ 1,835,000	$ 836,267	$ 2,671,267

Note 11 – Schedule of Long-Term Liabilities

Long term liabilities are as follows for the year ending June 30, 2016:

Description	Balance Outstanding at June 30, 2015	Additions	Reductions	Balance Outstanding at June 30, 2016	Current Portion
Compensated absences	$ 7,311,409	$ 4,809,006	$ (4,119,329)	$ 8,001,086	$ 4,507,900
Certificates of participation	1,905,000	-	(70,000)	1,835,000	70,000
Net pension obligation	16,896,062	9,964,310	(5,555,522)	21,304,850	-
Total	$ 26,112,471	$ 14,773,316	$ (9,744,851)	$ 31,140,936	$ 4,577,900

Note 12 – Pension and Benefit Plans

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, 2016:

Aggregate Pension Amounts - All Plans	
Pension liabilities	$ (21,304,850)
Deferred outflows of resources	3,810,494
Deferred inflows of resources	(3,215,679)
Pension expense (revenues)	(964,284)

Note 12 – Pension and Benefit Plans (continued)

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

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

Plan Descriptions

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

Pension Benefits

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

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

Note 12 – Pension and Benefit Plans (continued)

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

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

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

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

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

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

Note 12 – Pension and Benefit Plans (continued)

Contributions

The College's required contribution rates (expressed as a percentage of covered payroll) for the fiscal year ended June 30, 2016 are as follows:

	College	Employee
PERS		
Plan 1	9.21%	6.00%
Plan 2	9.21%	4.92%
Plan 3	9.21%	5.00 - 15.00%
TRS		
Plan 1	10.39%	6.00%
Plan 2	10.39%	4.96%
Plan 3	10.39%	5.00 - 15.00%

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 employer and employee contribution rates and Plan 3 contribution rates.

Actual contributions to the plans for the fiscal year ended June 30, 2016, are as follows:

PERS		
Plan 1	$	101,437
Plan 2		3,192,769
Plan 3		894,694
TRS		
Plan 1	$	34,144
Plan 2		70,244
Plan 3		235,748

Note 12 – Pension and Benefit Plans (continued)

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.

At June 30, 2016, 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	$ -	$ -	$ 957,793	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	600,696	-	2,405,309
Changes of assumptions	-	-	14,518	-
Changes in proportion and difference between contributions and proportionate share of contributions	-	-	61,107	39,191
Contributions subsequent to the measurement date	1,174,510	-	1,344,675	-
Total	$ 1,174,510	$ 600,696	$ 2,378,093	$ 2,444,500

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

Note 12 – Pension and Benefit Plans (continued)

At June 30, 2016, CCS reported deferred outflows of resources and deferred inflows of resources related to pensions for its TRS 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	$ -	$ -	$ 36,877	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	80,099	-	90,384
Changes of assumptions	-	-	202	-
Changes in proportion and difference between contributions and proportionate share of contributions	-	-	37,920	-
Contributions subsequent to the measurement date	101,475	-	81,417	-
Total	$ 101,475	$ 80,099	$ 156,416	$ 90,384

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

Deferred outflows of resources related to pensions resulting from CCS' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

	Pers Plan 1	Pers Plan 2/3	TRS Plan 1	TRS Plan 2/3
2016	$ (232,809)	$ (664,579)	$ (31,066)	$ (19,253)
2017	(232,809)	(664,579)	(31,066)	(19,253)
2018	(232,809)	(664,582)	(31,066)	(19,254)
2019	97,731	514,633	13,099	31,906
2020	-	(4,609)	-	12,012
Thereafter	-	-	-	3,945
	$ (600,696)	$ (1,483,716)	$ (80,099)	$ (9,897)

Note 12 – Pension and Benefit Plans (continued)

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined by an actuarial valuation as of June 30, 2014, with results rolled forward to June 30, 2015. 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 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2015 to June 30, 2016, 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.

Discount Rate

The discount rate used to measure the TPL for all DRS plans provided by CCS 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.

Note 12 – Pension and Benefit Plans (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.50 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, 2016, 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%	6.60%
Private equity	23.00%	9.60%
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%

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.

Note 12 – Pension and Benefit Plans (continued)

Plan	Employer's Proportionate Share of the Net Pension Liability / (Asset) 1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
PERS Plan 1	$ 13,367,522	$ 10,979,462	$ 8,925,946
PERS Plan 2/3	26,346,436	9,010,249	(4,263,419)
TRS Plan 1	1,360,367	1,082,174	842,951
TRS Plan 2/3	985,705	232,965	(326,633)
Totals	$ 42,060,030	$ 21,304,850	$ 5,178,845

Pension Plan Fiduciary Net Position

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

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

At June 30, 2016, the College reported a TPL of $21,304,850 for its proportionate share of the net pension liabilities as follows:

	Ending Total Pension Liability
PERS Plan 1	$ 10,979,462
PERS Plan 2/3	9,010,249
TRS Plan 1	1,082,174
TRS Plan 2/3	232,965
	$ 21,304,850

There were no CCS or faculty contribution payable to the DRS at June 30, 2016.

At June 30, 2016, CCS' proportionate share of the collective net pension liabilities were as follows:

	Proportionate Share
PERS Plan 1	0.209895%
PERS Plan 2/3	0.252172%
TRS Plan 1	0.034158%
TRS Plan 2/3	0.027609%

Note 12 – Pension and Benefit Plans (continued)

CCS' net pension liability for the Plan is measured as the proportionate share of the net pension liability for all of the DRS plans (the Plans). The net pension liability for the Plans is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures.

CCS' proportionate share of the net pension liability was based on a projection of the CCS' long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following Table shows CCS' proportionate share of net pension liability over measurement period:

Balance at June 30, 2015	$ 16,896,062
Balance at June 30, 2016	21,304,850
Change - Increase (Decrease)	$ 4,408,788

CCS' proportionate share of the net pension liability for the Plan as of the June 30, 2015 and 2016 measurement dates was as follows:

Balance at June 30, 2015	0.521861%
Balance at June 30, 2016	0.523834%
Change - Increase (Decrease)	0.001973%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2015, 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.

Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by CCS. Employee and employer contributions for the year ended June 30, 2015 were $3,541,818 and $3,543,273, respectively.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2016, supplemental benefits were paid by the SBCTC on behalf of CCS in the amount of $766,692. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2016, CCS paid into this fund at a rate of 0.5% of covered salaries, totaling $198,497. As of June 30, 2016, the Community and Technical College system accounted for $10,439,441 of the fund balance.

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 12 – Pension and Benefit Plans (continued)

Other Post-Employment Benefits

Health care and life insurance programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the statewide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employee.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The health care premiums for active employees, which are paid by the agency during the employees' working careers, subsidize the "underpayments" of retirees. An additional factor in the Other Post-Employment Benefits (OPEB) obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit" subsidy). This explicit subsidy is also passed through to state agencies via active employee rates charged to the agency. There is no formal state or CCS plan that underlies the subsidy of retiree health and life insurance.

The actuary allocated the statewide disclosure information to the community and technical college system level. The SBCTC further allocated these amounts among the colleges. CCS' share of the GASB 45 actuarially accrued liability (AAL) is $50,411,822, with an annual required contribution (ARC) of $5,016,585. The ARC represents the amortization of the liability for FY 2016 plus the current expense for active employees, which is reduced by the current contributions of approximately $729,570. CCS' net OPEB obligation at June 30, 2016 was approximately $11,626,065. This amount is not included in CCS' financial statements.

CCS paid $11,137,272 for healthcare expenses in 2016, which included its pay-as-you-go portion of the OPEB liability.

Note 13 – Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2016.

Instruction	$ 57,412,176
Academic support services	13,823,278
Student services	29,247,339
Institutional support	16,191,555
Operations and maintenance of plant	25,594,034
Scholarships and other student finacial aid	35,194,867
Auxiliary enterprises	6,295,363
Total	$ 183,758,612

For financial statement purposes, balances not specifically identified with a Campus were allocated to the Campuses using the same allocation method employed in the preparation of CCS' Integrated Postsecondary Education Data System (IPEDS) report. Allocated amounts were allocated based upon the Campus's share of the operating budget, excluding District activity. Where allocations were applied the following percentages were used: SCC 66% and SFCC 34%.

Note 14 – 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 15 – Discretely Presented Component Unit

District 17 Community Colleges Foundation (the Foundation) is a Washington nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is organized to provide benefits to Washington State Community College District 17 (Community Colleges of Spokane) and to the students of Spokane Community College and Spokane Falls Community College. The Foundation is operated to receive, hold, invest, and properly administer the assets and to make expenditures to or for the benefit of the aforementioned 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, 2016, CCS received $1,110,251 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 the 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, 2016.

Years ending June 30,	2017	$ 1,830,715
	2018	1,855,975
	2019	1,535,702
	2020	1,301,064
	2021	693,386

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

Note 16 – Prior Period Adjustments

The accompanying financial statements reflect a prior period adjustment to correct capital assets incorrectly recorded as part of current year activities totaling $2,422,286.

Note 17 – Subsequent Events

In July of 2017, CCS paid a one-time legal settlement obligation of $1,778,300, resulting from a long-running class action lawsuit. FY 2016 the legislature included in the state operating allocation budget an appropriation to partially fund the settlement. The remaining settlement to be funded proportionally by state agencies. This was accrued as of June 30, 2016.

In fiscal year 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 heavily on student enrollment, with a small 5% portion based on the student achievement initiative, which measures student completion and retention, among other factors. In addition, the new model attaches an enrollment weighting of 1.3% on specific high demand and stem courses. This new allocation model significantly changed CCS's state appropriated funding level, resulting in a $3.5 million dollar reduction in state appropriations. The State Board of Community and Technical Colleges worked to mitigate these projected financial reductions by spreading the effect of the reduction over four consecutive years, ending with the fiscal year 20 allocation.

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.

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 spring, summer and fall quarters 2020.

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability*

	As of June 30, 2016			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the net pension liability	0.209895%	0.252172%	0.034158%	0.027609%
Employer's proportionate share of the net 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 net pension liability as a percentage of the covered employee payroll	1662.49%	34.41%	582.98%	13.92%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	89.20%	65.70%	92.48%

	As of June 30, 2015			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's proportion of the net pension liability	0.208513%	0.250814%	0.014472%	0.023189%
Employer's proportionate share of the net 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 net pension liability as a percentage of the covered employee payroll	1404.10%	22.64%	240.79%	5.76%
Plan fiduciary net 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 net pension liability	0.214253%	0.253390%	0.030685%	0.023530%
Employer's proportionate share of the net 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 net pension liability as a percentage of the covered employee payroll	1253.11%	23.35%	519.05%	9.39%
Plan fiduciary net 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, 2016

Schedule of Employer Contributions*

	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	$ 127,385	$ 5,100,777	$ 12,173	$ 209,567
Contributions as a percentage of covered employee payroll	79.63%	80.13%	280.49%	146.01%

	As of June 30, 2015			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	$ 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%	10.33%	10.39%

	As of June 30, 2014			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily or contractually required contributions	$ 79,295	$ 2,019,361	$ 18,012	$ 81,816
Contributions in relation to the statutorily or contractually required contributions	79,295	2,019,361	18,012	81,816
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employer payroll	$ 861,308	$ 21,937,205	$ 174,366	$ 809,132
Contributions as a percentage of covered employee payroll	9.21%	9.21%	10.33%	10.11%

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

Notes to Schedule:

Valuation Date: 6/30/2015

Methods and Assumptions used to Determine Contribution Rates:

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Actuarial Cost Method	Entry Age Normal	aggregate	Entry Age Normal	aggregate
Amortization Method	Level %	n/a	Level %	n/a
Remaining amortization period	10-year rolling	n/a	10-year rolling	n/a
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			

Supplementary Information

Community Colleges of Spokane
Combining Statement of Net Position
June 30, 2016

	Spokane Community College	Spokane Falls Community College	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	$ 39,959,651	$ 20,585,576	$ 60,545,227
Short term investments	3,812,373	1,963,949	5,776,322
Accounts receivable, net of allowance for doubtful accounts	7,059,747	3,750,051	10,809,798
Interest receivable	25,287	13,026	38,313
Total current assets	50,857,058	26,312,602	77,169,660
NONCURRENT ASSETS			
Long-term investments	9,815,881	5,056,666	14,872,547
Capital assets, net of depreciation	76,792,814	81,406,580	158,199,394
Total noncurrent assets	86,608,695	86,463,246	173,071,941
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	2,514,926	1,295,568	3,810,494
Total assets and deferred outflows of resources	$ 139,980,679	$ 114,071,416	$ 254,052,095
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
CURRENT LIABILITIES			
Accounts payable	$ 1,970,173	$ 2,109,435	$ 4,079,608
Accrued liabilities	7,758,107	4,215,322	11,973,429
Compensated absences	2,975,214	1,532,686	4,507,900
Unearned revenue	1,906,522	982,148	2,888,670
Certificates of Participation payable	70,000	-	70,000
Total current liabilities	14,680,016	8,839,591	23,519,607
NONCURRENT LIABILITIES			
Compensated absences	2,305,503	1,187,683	3,493,186
Net pension liability	14,061,201	7,243,649	21,304,850
Long-term liabilities	1,765,000	-	1,765,000
Total noncurrent liabilities	18,131,704	8,431,332	26,563,036
Total liabilities	32,811,720	17,270,923	50,082,643
DEFERRED INFLOWS OF RESOUCES			
Deferred inflows of resources related to pensions	2,122,348	1,093,331	3,215,679
Total liabilities and deferred inflows of resources	34,934,068	18,364,254	53,298,322
NET POSITION			
Net investment in capital assets	103,200,500	53,163,894	156,364,394
Unrestricted	29,399,490	14,989,889	44,389,379
Total net position	132,599,990	68,153,783	200,753,773
Total liabilities, deferred inflows, and net position	$ 167,534,058	$ 86,518,037	$ 254,052,095

Community Colleges of Spokane
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2016

	Spokane Community College	Spokane Falls Community College	Total
OPERATING REVENUES			
Student tuition and fees, net	$ 19,715,358	$ 14,530,993	$ 34,246,351
Auxiliary enterprise sales	890,996	725,189	1,616,185
State and local grants and contracts	20,606,358	12,461,234	33,067,592
Federal grants and contracts	8,349,844	5,014,390	13,364,234
Other operating revenues	2,173,601	1,193,462	3,367,063
Interest on loans to students	67,491	37,018	104,509
Total operating revenues	51,803,648	33,962,286	85,765,934
OPERATING EXPENSES			
Operating expenses	11,668,285	6,271,385	17,939,670
Salaries and wages	47,303,774	26,597,173	73,900,947
Benefits	17,264,259	9,976,743	27,241,002
Scholarships and fellowships	19,958,805	12,307,302	32,266,107
Supplies and materials	5,296,879	2,349,070	7,645,949
Depreciation	4,334,188	3,192,306	7,526,494
Purchased services	6,362,739	2,470,511	8,833,250
Utilities	1,964,982	1,010,413	2,975,395
Total operating expenses	114,153,911	64,174,903	178,328,814
Operating loss	(62,350,263)	(30,212,617)	(92,562,880)
NONOPERATING REVENUES			
State appropriations	38,466,249	18,710,770	57,177,019
Federal Pell grant revenue	14,627,565	9,994,010	24,621,575
Investment income, gains and losses	11,002	5,317	16,319
Net nonoperating revenues	53,104,816	28,710,097	81,814,913
NONOPERATING EXPENSES			
Building and innovation fees	2,778,315	2,354,398	5,132,713
Interest on indebtedness	57,078	29,403	86,481
Loss on disposal of assets	138,999	71,605	210,604
Net nonoperating expenses	2,974,392	2,455,406	5,429,798
Loss before other revenues, expenses, gains or losses	(12,219,839)	(3,957,926)	(16,177,765)
Capital appropriations	1,824,680	1,158,373	2,983,053
Decrease in net position	(10,395,159)	(2,799,553)	(13,194,712)
NET POSITION			
Net position, beginning of year	109,167,334	104,781,151	213,948,485
Net position, end of year	$ 98,772,175	$ 101,981,598	$ 200,753,773