Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

South Puget Sound Community College

For the period July 1, 2015 through June 30, 2016

Published March 22, 2018

Report No. 1020965

Office of the Washington State Auditor

Pat McCarthy

March 22, 2018

Board of Trustees
South Puget Sound Community College
Olympia, Washington

Report on Financial Statements

Please find attached our report on the South Puget Sound Community College's financial statements.

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

Sincerely,

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

TABLE OF CONTENTS

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

South Puget Sound Community College
July 1, 2015 through June 30, 2016

Board of Trustees
South Puget Sound Community College
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the South Puget Sound Community College, Washington, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 14, 2018.

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

The financial statements of the South Puget Sound Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2016, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

March 14, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

South Puget Sound Community College
July 1, 2015 through June 30, 2016

Board of Trustees
South Puget Sound Community College
Olympia, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the South Puget Sound Community College, Washington, as of and for the year ended June 30, 2016, and its aggregate discretely presented component units as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the South Puget Sound Community College, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the South Puget Sound Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2016, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

March 14, 2018

FINANCIAL SECTION

South Puget Sound Community College
July 1, 2015 through June 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016
Statement of Revenues, Expenses and Changes in Net Assets – 2016
Statement of Cash Flows – 2016
South Puget Sound Community College Foundation Statement of Financial Position – 2015
South Puget Sound Community College Foundation Statement of Activities and Changes in Net Assets – 2015
South Puget Sound Community College Foundation Statement of Cash Flows – 2015
Notes to Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of South Puget Sound Community College's Share of the Net Pension Liability – PERS 1 – 2016
Schedule of South Puget Sound Community College's Share of the Net Pension Liability – PERS 2/3 – 2016
Schedule of South Puget Sound Community College's Share of the Net Pension Liability – TRS 1– 2016
Schedule of South Puget Sound Community College's Share of the Net Pension Liability – TRS 2/3 – 2016
Schedule of Contributions – PERS 1 – 2016
Schedule of Contributions – PERS 2/3 – 2016
Schedule of Contributions – TRS 1 – 2016
Schedule of Contributions – TRS 2/3– 2016
Notes to the Required Supplementary Information – 2016

Management's Discussion and Analysis

South Puget Sound Community College

The following discussion and analysis provides an overview of the financial position and activities of South Puget Sound Community College (the College) for the fiscal year ended June 30, 2016 (FY 2016). 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

South Puget Sound Community College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 9,700 students. The College confers associates degrees, certificates and high school diplomas. The College was established in 1962 and its primary purpose is to support student success in post-secondary academic transfer and workforce education that responds to the needs of the South Sound region.

The College's main campus is located in Olympia, Washington, a community of about 50,000 residents. The College has a smaller campus in the neighboring town of Lacey, Washington. The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and it's discretely presented component unit, the South Puget Sound Community College Foundation. The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2016. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net position are reported under the accrual basis of accounting where all of the current year's revenues and expenses are taken into account regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Statement of Net Position

The Statement of Net Position provides information about the College's financial position, and presents the College's assets, liabilities, and net position at year-end and includes all assets and liabilities of the College. The decrease in net position is primarily attributable to the capital assets annual depreciation of capital assets, offset with additions. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30th	**FY 2016**	**FY 2015**
Assets		
Current Assets	11,103,282	10,839,464
Capital Assets, net	134,992,691	137,127,940
Total Assets	**$ 146,095,973**	**$ 147,967,404**
Deferred Outflows	**$ 1,331,788**	**$ 917,622**
Liabilities		
Current Liabilities	6,009,268	4,977,583
Other Liabilities, non-current	13,121,107	12,267,840
Total Liabilities	**$ 19,130,375**	**$ 17,245,423**
Deferred Inflows	**$ 859,562**	**$ 1,842,407**
Net Position	**$ 127,437,824**	**$ 129,797,196**

Current assets consist primarily of cash, investments, and various accounts receivables. The modest increase of current assets in FY 2016 can be attributed to the removal of Bookstore inventory as the College now contracts Bookstore services, offset with a change in accounting for Summer Quarter Financial Aid as a Prepaid Expense.

Net capital assets decreased by $2,135,249 from FY 2015 to FY 2016. The decrease is primarily the result of current depreciation expense of $3,518,966. This decrease was offset in part by the renovation completion of Lacey Campus Building One.

Deferred outflows of resources totaling $1,331,788 are related to the net pension liability that was recorded on the College's financials this year.

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. The increase in current liabilities from FY 2015 to FY 2016 is due to an increase in the year-end amounts owed to the State Treasurer, a decrease in accounts payable, and an increase in unearned revenue for summer and fall quarter received prior to the start of the FY 2017.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees, the College's proportionate share of net pension liability, and the long-term portion of Certificates of Participation debt. The College's non-current liabilities mainly increased from recording additional net pension liability, offset with a decrease in the long-term portion of Certificates of Participation debt as the College pays down the principal owed on Certificates of Participation for Student Union Building and Lacey Campus Building One.

Deferred inflows of resources related to the College's net pension liability totaled $859,562. Deferred inflows or resources include the calculated difference between actual and projected investment earnings on the state's pension plans.

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

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

Restricted:

Nonexpendable **–** consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only. Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Foundation. As a result, the college is not reporting any balance in this category.

Expendable **–** resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary expendable funds for the College are Institutional Financial Aid funds required to be set aside from tuition revenue.

Unrestricted **–** Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

Net Position As of June 30th	**FY 2016**	**FY 2015**
Net investment in capital assets	$129,367,691	$131,076,311
Restricted		
Expendable (3.5% Institutional Financial Aid)	$634,018	$657,481
Unrestricted	($2,563,885)	($1,936,596)
Total Net Position	**$127,437,824**	**$129,797,196**

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 earned, both operating and non-operating, and the expenses paid or incurred 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, 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.

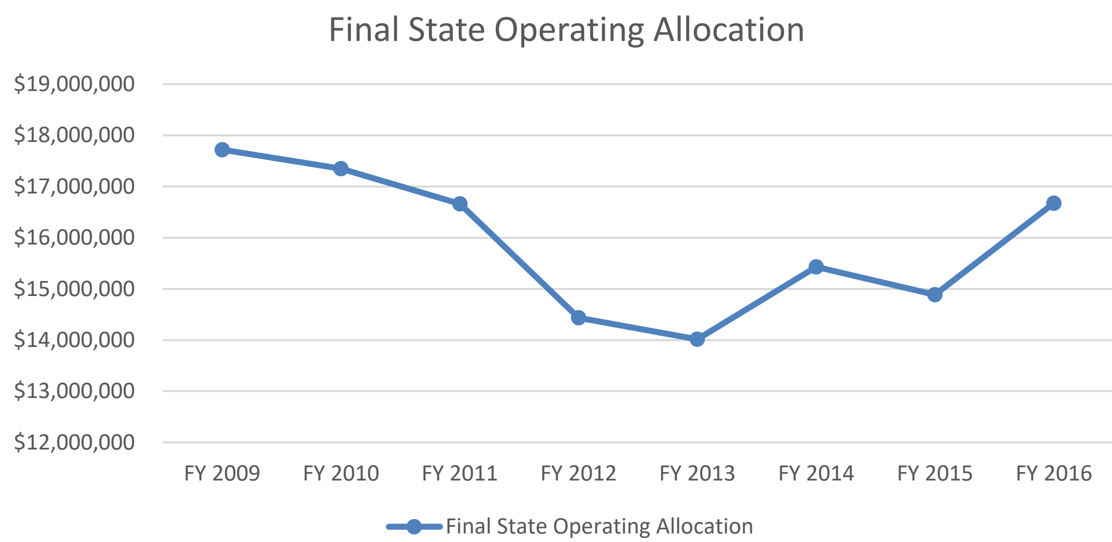
A condensed comparison of the College's revenues, expense and changes in net position for the years ended June 30, 2016 and 2015 is presented below.

Revenues, Expenses and Changes in Net Position As of June 30th	**FY 2016**	**FY 2015**
Operating revenues		
Student tuition and fees, net	$ 11,791,924	$ 13,753,555
Auxiliary enterprises sales	964,979	1,496,017
State and local grants and contracts	9,957,111	9,772,483
Federal grants and contracts	689,249	234,864
Other operating revenues	3,490,013	2,726,317
Total operating revenues	**26,893,276**	**27,983,236**
Operating expenses	**50,723,198**	**55,031,217**
Operating loss	**(23,829,922)**	**(27,047,981)**
Non-operating revenues		
State appropriations	16,670,852	14,864,202
Federal Pell grant revenue	5,813,315	5,881,407
Investment income	2,914	4,313
Non-operating expenses	(1,899,081)	(1,959,184)
Net non-operating revenues	**20,588,000**	**18,790,738**
Loss before capital contribution	**(3,241,922)**	**(8,257,243)**
Capital appropriations	882,550	3,705,657
Change in net position	**(2,359,372)**	**(4,551,586)**
Net position, beginning of year	129,797,196	144,578,612
Cummulative effect of change in accounting principle		(5,329,636)
Prior period adjustment		(4,900,194)
Net position, end of year	**$ 127,437,824**	**$ 129,797,196**

Revenues

Continuing a trend that began midway through fiscal year 2009, the College's state operating appropriations decreased multiple times up through FY 2013. The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. System-level appropriations hit their height in FY 2009 and as of FY 2013 have been reduced by almost 24%. In FY14, the Legislature reinstated a fraction of the previous cuts. During the period of recession, the Legislature and SBCTC also instituted increases in tuition rates to partially offset the reduction in state appropriations.

In FY 2016, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. This reduced the amount of tuition revenue collected by the College. The Legislature did however backfill a portion of this loss as seen in the graph regarding final state operation allocations.

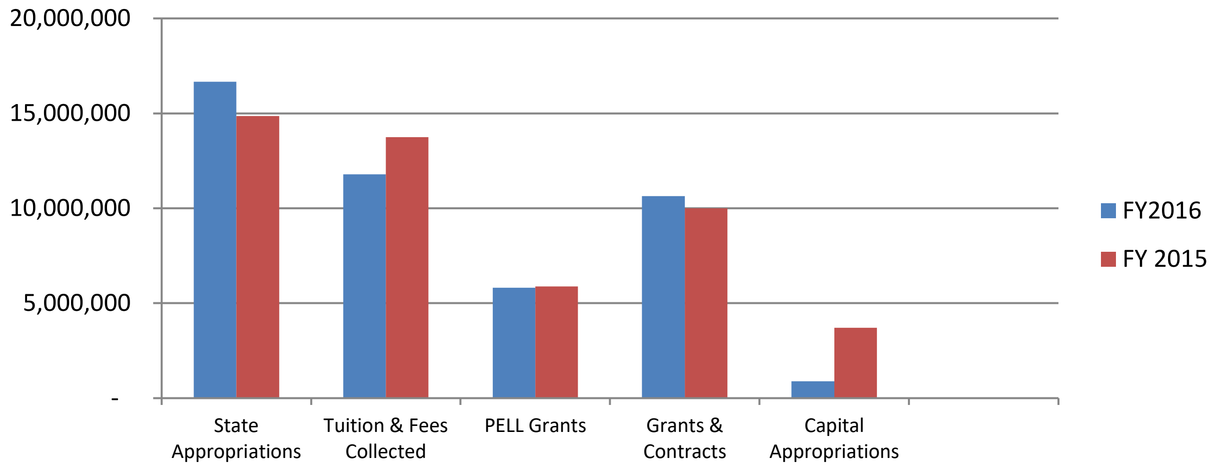


Pell grant revenues generally follow enrollment trends. As the College's state supported enrollment softened slightly during FY 2016 so did the College's Pell Grant revenue.
In FY 2016, grant and contract revenues increased by $639,013 when compared with FY 2015. Part of the contract revenue increase is attributable to the Running Start program, whereby the College contracts with local high schools to enroll their Running Start students who earn both high school and college credit for the College courses. The Running Start program saw a 13% increase in enrollment in FY 2016.

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

Selected Elements of Revenue: for the years ended June 30, 2016 and 2015

Note: For purposes of this chart, tuition and fees reflect amounts collected and may include amounts students paid with Pell Grant proceeds



Expenses

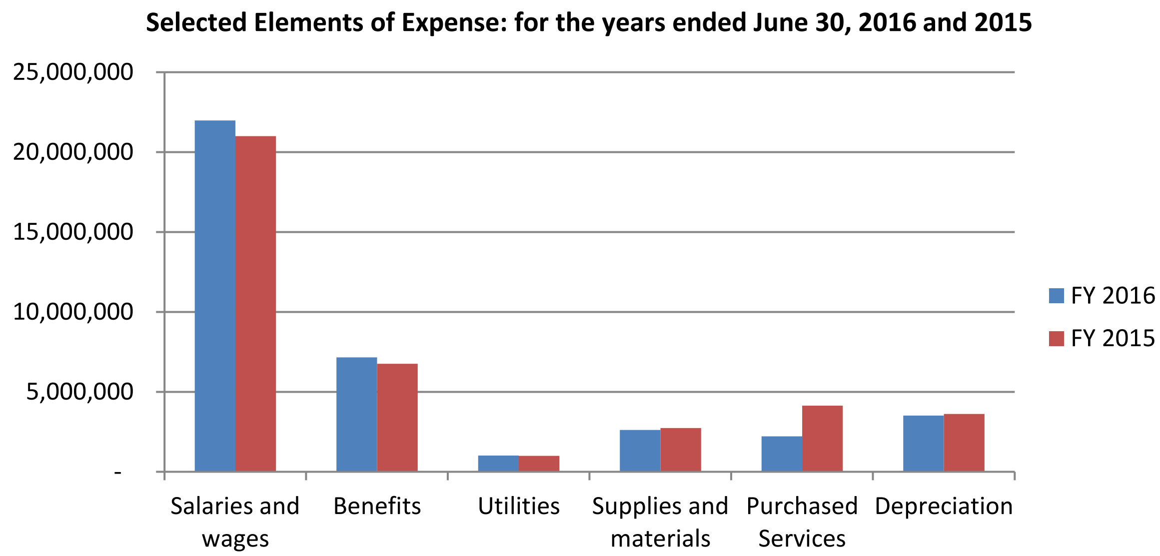
Faced with severe budget cuts between 2009 and 2013, the College has continuously sought opportunities to identify savings and efficiencies, and invest these dollars in areas that show direct correlation to fulfilling the College's mission.

In FY 2016, salary and benefit costs increased as result of increased costs for healthcare, a 3% cost of living adjustment, and having to compete in the job market in order to replace retiring exempt employees and/or faculty.

The College had only a slight increase in utility expenses for FY 2016 as a result of targeted efforts to reduce use, in spite of rate increases from utility providers. Purchased services are significantly lower in FY 2016, primarily as a result of a reduced spending related to capital projects. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs. These fluctuations are to be expected. In FY 2016 depreciation expense decreased slightly. All other costs are reported as operating expenses. Examples include printing and reproduction; mailing and shipping; employee training; travel; and non-capitalizable equipment, hardware and software.

Comparison of Selected Operating Expenses by Function

The chart below shows the amount, in dollars, for selected functional areas of operating expenses for FY 2016 and FY 2015.



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 $134,992,691 in capital assets, net of accumulated depreciation. This represents a decrease of $2,135,249 from last year, as shown in the table below.

Asset Type	June 30, 2016	June 30, 2015	Change
Land	$9,524,796	$9,524,796	$0
Construction in Progress	$90,429	$9,652,235	-$9,561,806
Buildings, net	$120,470,438	$112,813,126	$7,657,312
Other Improvements and Infrastructure, net	$2,958,940	$3,077,989	-$119,049
Equipment, net	$1,813,297	$1,878,461	-$65,164
Library Resources, net	$134,791	$181,333	-$46,542
Total Capital Assets, Net	**$134,992,691**	**$137,127,940**	**-$2,135,249**

The decrease in net capital assets can be attributed to annual depreciation of capital assets. Additional information on capital assets can be found in Note 5 of the Notes to the Financial Statements.

At June 30, 2016, the College had $5,625,000 in outstanding debt.

	June 30, 2016	June 30, 2015
Certificates of Participation	$5,625,000	$6,055,000

Additional information of notes payable, long term debt and debt service schedules can be found in Notes 12 and 13 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

Following a trend that began in FY 2009, the College's state operating appropriations continued to decrease through FY 2013. Beginning FY 2016, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. This will further reduce the amount of tuition collected by the College. The Legislature did however backfill this loss.

In FY 2017, the State Board for Community and Technical College's has elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state.

It's unclear how much opportunity there may be for additional investments in community and technical colleges in the next few years, as state budget writers continue to grapple with court-mandated basic education obligations such as the McCleary Act.

South Puget Sound Community College
Statement of Net Position
June 30,2016

Assets	
Current Assets	
Cash and cash equivalents	7,711,047
Accounts receivable	2,768,124
Prepaid expenses	624,111
Total current assets	**11,103,282**
Non-current Assets	
Capital assets, net of depreciation	134,992,691
Total non-current assets	**134,992,691**
Total assets	**146,095,973**
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	1,331,788
Total deferred outflows of resources	**1,331,788**
Liabilities	
Current Liabilities	
Accounts payable	899,173
Accrued liabilities	2,988,460
Compensated absences	515
Deposits payable	15,597
Unearned revenue	1,660,523
Certificates of participation payable	445,000
Total current liabilities	**6,009,268**
Non-current Liabilities	
Compensated absences	2,202,002
Pension liability	5,739,105
Certificates of participation payable	5,180,000
Total non-current liabilities	**13,121,107**
Total liabilities	**19,130,375**
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	859,562
Total deferred inflows of resources	**859,562**
Net Position	
Net Investment in Capital Assets	129,367,691
Restricted for:	
Institutional Financial Aid	634,018
Unrestricted	(2,563,885)
Total net position	**127,437,824**

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

South Puget Sound Community College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

Operating Revenues		
Student tuition and fees, net		11,791,924
Auxiliary enterprise sales		964,979
State and local grants and contracts		9,957,111
Federal grants and contracts		689,249
Other operating revenues		3,490,013
	Total operating revenue	**26,893,276**
Operating Expenses		
Salaries and wages		21,977,524
Benefits		7,159,012
Scholarships and fellowships		7,803,248
Supplies and materials		2,615,943
Depreciation		3,518,966
Purchased services		2,208,535
Utilities		1,023,974
Other operating expenses		4,415,996
	Total operating expenses	**50,723,198**
	Operating loss	**(23,829,922)**
Non-Operating Revenues (Expenses)		
State appropriations		16,670,852
Federal Pell grant revenue		5,813,315
Investment income, gains and losses		2,914
Building fee remittance		(1,334,305)
Innovation fund remittance		(316,976)
Interest on indebtedness		(247,800)
	Net non-operating revenues	**20,588,000**
Loss before capital appropriations		(3,241,922)
Capital appropriations		882,550
	Decrease in net position	**(2,359,372)**
Net Position		
Net position, beginning of year		129,797,196
Net position, end of year		**127,437,824**

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

South Puget Sound Community College
Statement of Cash Flows
For the Year Ended June 30, 2016

Cash flow from operating activities	
Student tuition and fees	12,017,863
Grants and contracts	10,149,022
Payments to vendors	(3,981,796)
Payments for utilities	(777,558)
Payments to employees	(21,835,545)
Payments for benefits	(7,365,374)
Auxiliary enterprise sales	998,549
Payments for scholarships and fellowships	(7,803,248)
Other payments	(393,287)
Net cash used by operating activities	**(18,991,374)**
Cash flow from noncapital financing activities	
State appropriations	15,531,143
Pell grants	5,813,315
Building fee remittance	(1,324,222)
Innovation fund remittance	(313,745)
Net cash provided by noncapital financing activities	**19,706,491**
Cash flow from capital and related financing activities	
Capital appropriations	2,008,945
Capital funding - Foundation	16,123
Purchases of capital assets	(1,404,189)
Principal paid on capital debt	(430,000)
Interest paid	(247,800)
Net cash used by capital and related financing activities	**(56,921)**
Cash flow from investing activities	
Income of investments	2,914
Net cash provided by investing activities	**2,914**
Increase in cash and cash equivalents	**661,110**
Cash and cash equivalents at the beginning of the year	**7,049,937**
Cash and cash equivalents at the end of the year	**7,711,047**

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

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	(23,829,922)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	3,518,966
Changes in assets and liabilities	
Receivables , net	321,689
Inventories	502,838
Other assets	(427,230)
Accounts payable	(945,601)
Accrued liabilities	1,566,224
Deferred revenue	396,387
Compensated absences	96,992
Pension liability adjustment expense	(195,736)
Deposits payable	4,019
Net cash used by operating activities	**(18,991,374)**

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

SOUTH PUGET SOUND COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2015

		2015
ASSETS		
Cash and cash equivalents	$	747,819
Certificates of deposit		200,000
Promises to give, net		206,185
Investments		6,084,462
Prepaid expenses		2,173
Equipment, net of accumulated depreciation of $21,000 and $18,200		2,800
TOTAL ASSETS	$	7,243,439
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$	110,014
Scholarships and grants payable		173,574
Total Liabilities		283,588
NET ASSETS		
Unrestricted		1,281,697
Board designated-endowed		180,000
Total Unrestricted		1,461,697
Temporarily restricted		1,619,964
Permanently restricted		3,878,190
Total Net Assets		6,959,851
TOTAL LIABILITIES AND NET ASSETS	$	7,243,439

SOUTH PUGET SOUND COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions				
Individuals	$ 277,151	$ 263,786	$ 161,925	$ 702,862
In-kind	334,180	3,056		337,236
Dividend and interest income	66,373	271,879		338,252
Unrealized and realized gains on investments	(84,208)	(377,997)		(462,205)
Special events income	293,406			293,406
Net assets released from restrictions	332,046	(341,046)	9,000	
Total Revenue and Support	1,218,948	(180,322)	170,925	1,209,551
EXPENSES				
Scholarships and grants	354,030			354,030
Other college support	171,650			171,650
Management and general	224,351			224,351
Fundraising	108,916			108,916
In-kind services and occupancy	338,379			338,379
Total Expenses	1,197,326			1,197,326
CHANGE IN NET ASSETS	21,622	(180,322)	170,925	12,225
Net Assets, Beginning of Year	1,440,075	1,800,286	3,707,265	6,947,626
NET ASSETS, END OF YEAR	$ 1,461,697	$ 1,619,964	$ 3,878,190	$ 6,959,851

SOUTH PUGET SOUND COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015

	2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 12,225
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities	
Depreciation	4,200
Noncash stock contributions	(16,897)
Proceeds from sale on noncash contributions	16,897
Contributions restricted for long-term purposes	(161,925)
Unrealized and realized (gains) losses on investments	462,162
Change in allowance for uncollectible promises to give	(11,450)
Change in assets and liabilities	
(Increase) decrease in promises to give	(131,243)
Increase in prepaid expenses	(178)
Increase (decrease) in accounts payable	47,851
Decrease in scholarships and grants payable	(29,241)
Net Cash Provided (Used) by Operating Activities	192,401
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from certificate of deposit maturities	
Purchase of certificate of deposit	(200,000)
Proceeds from sale of investments	355,250
Purchase of investments	(519,180)
Reinvested earnings	(297,229)
Net Cash Provided (Used) by Investing Activities	(661,159)
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions restricted for long-term purposes	161,925
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(306,833)
Cash and Cash Equivalents at Beginning of Year	1,054,652
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 747,819

Notes to the Financial Statements

June 30, 2016
These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

South Puget Sound Community College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers associates degrees, certificates and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate.

The College is an agency of the State of Washington. The financial activity of the college is included in the State's Comprehensive Annual Financial Report.

The South Puget Sound Community College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1982 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to enhance the educational quality and accessibility at the College by soliciting financial and in-kind support for the institution. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the college or its students, the Foundation is considered a discrete component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the calendar year ended December 31, 2015, the Foundation distributed approximately $511,682 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at (360)596-5430.

Basis of Presentation

The financial statements have been prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* as amended by GASB Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities.* For financial reporting purposes, the College is considered a special-purpose government engaged only in Business Type Activities (BTA). In accordance with BTA reporting, the College presents a Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements. The format provides a comprehensive, entity-wide perspective of the college's assets, deferred inflows, liabilities, deferred outflows, net position, revenues, expenses, changes in net position and cash flows.

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

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

The preparation of financial statements in conformity with 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.

Cash, Cash Equivalents and Investments
Cash and cash equivalents include cash on hand, bank demand deposits, money market funds with Morgan Stanley, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis after covering banking expenses. The internal investment pool is comprised of cash and cash equivalents.

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

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized.

Depreciation is computed using the straight line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives are generally 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

In accordance with GASB Statement 42, the college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 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. Unearned revenues also include tuition and fees paid with financial aid funds. The College has recorded the next summer and fall quarter tuition and fees as unearned revenues.

Tax Exemption

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

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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 position liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Net Position

The College's net position is classified as follows.

- *Net Investment in Capital Assets*. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted for Institutional Financial Aids*. The institutional financial aid funds are established for the explicit purpose of providing student support as prescribed by RCW 28B.15.820
- *Unrestricted*. These represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses.

Classification of Revenues and Expenses

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

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

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

Non-operating Revenues. This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government. Pell grants are reported as non-operating revenue based on guidance from the Office of Financial Management in collaboration with the State Auditor's Office.

Non-operating Expenses. Non-operating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on the Certificate of Participation Loans.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2016 are $4,409,621.

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

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

2. Accounting 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. The College currently invests in the Local Government Investment Pool (LGIP) and has a Bank Deposit Money Market at an investment firm. The LGIP is managed by the Office of the State Treasurer and prepares its own financial report that meets GASB standards.

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. The College is currently working with SBCTC to determine the financial impact.

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. The College adheres to this hierarchy.

In December 2015 GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants, effective for the year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Because South Puget Sound Community College is a participant in an external investment pool that is in compliance with amortized cost criteria and measures all of its investments at amortized costs, there is no impact to the College's statements.

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. The College has implemented this standard early in relation to the RSI presented with its financial statements.

3. Cash and Cash Equivalents

Cash and cash equivalents include bank demand deposits, petty cash held at the College, money market funds with Morgan Stanley 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.

The College can contribute or withdraw funds in any amount from the LGIP on a daily basis. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. Morgan Stanley, during periods of extraordinary market stress, may impose liquidity fees of up to 2% or a redemption gate on the amount held in a retail money market fund. The value of funds held at Morgan Stanley on June 30, 2016 is $103,924.

As of June 30, 2016, the carrying amount of the College's cash and equivalents was $7,711,047 as represented in the table below.

Cash and Cash Equivalents	**June 30, 2016**
Petty Cash and Change Funds	$3,500
Bank Demand and Time Deposits	$5,184,177
Local Government Investment Pool	$2,523,370
Total Cash and Cash Equivalents	**$7,711,047**

Custodial Credit Risks—Deposits

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

4. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements. At June 30, 2016, accounts receivable were as follows.

Accounts Receivable	Amount
Student Tuition and Fees	$ 709,889
Due from the Federal Government	$ 334,558
Due from Other State Agencies	$ 715,686
Auxiliary Enterprises	$ 56,055
Other	$ 1,434,192
Subtotal	$ 3,250,380
Less Allowance for Uncollectible Accounts	$ 482,256
Accounts Receivable, net	**$ 2,768,124**

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2016 is presented as follows. The current year depreciation expense was $3,518,966.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements/ Adjustments	Ending Balance
Nondepreciable capital assets				
Land	$ 9,524,796	$ -	$ -	$ 9,524,796
Construction in progress	9,652,235	(9,561,806)		90,429
Total nondepreciable capital assets	19,177,031	(9,561,806)	0	9,615,225
Depreciable capital assets				
Buildings	135,768,980	10,574,774		146,343,754
Other improvements and infrastructure	7,300,940		(1)	7,300,939
Equipment	6,430,814	375,899	(473,657)	6,333,056
Library resources	2,291,612	11,299	3	2,302,914
Subtotal depreciable capital assets	151,792,346	10,961,972	(473,655)	162,280,663
Less accumulated depreciation				
Buildings	22,955,854	2,917,352	110	25,873,316
Other improvements and infrastructure	4,222,951	119,029	19	4,341,999
Equipment	4,552,353	424,884	(457,478)	4,519,759
Library resources	2,110,279	57,701	143	2,168,123
Total accumulated depreciation	33,841,437	3,518,966	(457,206)	36,903,197
Total depreciable capital assets	117,950,909	7,443,006	(16,449)	125,377,466
Capital assets, net of accumulated depreciation	**$137,127,940**	**$ (2,118,800)**	**$ (16,449)**	**$134,992,691**

6. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The category of deferred outflow of resources reported in statement of net position relates to pensions.

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.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by the College relate to pensions.

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.

7. Accounts Payable and Accrued Liabilities

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

Accounts Payable and Accrued Liabilities	Amount	
Amounts Owed to Employees	$	839,243
Accounts Payable	$	899,173
Amounts Held for Others and Retainage	$	2,149,217
Total	**$**	**3,887,633**

8. Unearned Revenue

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

Unearned Revenue	Amount
Summer & Fall Quarter Tuition & Fees	$ 1,660,523
Total Unearned Revenue	$ 1,660,523

9. Risk Management

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. Payments made for claims from July 1, 2015 through June 30, 2016, were $119,608.

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

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

10. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Depending upon employment type, employees who retire may get 25% of the value of their accumulated sick leave either as a cash payment, or credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $950,696 and accrued sick leave totaled $1,251,306 at June 30, 2016.

Accrued annual and sick leave are categorized as non-current liabilities. Compensatory time is categorized as a current liability since it must be used before other leave. The accrued compensatory time totaled $515 at June 30, 2016.

11. Leases Payable

The College 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 operating leases consist of the following.

Leases Payable	
Fiscal year	**Operating Leases**
2017	67,760
2018	61,821
2019	28,435
2020	5,499
2021	1,022
2022-26	0
Total minimum lease payments	164,537

12. Notes Payable

In June 1999, the College obtained financing in order to remodel the Student Union Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $4,620,000. Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 1997. The College Bookstore and International Education also committed to an annual obligation to service the debt. The interest rate charged is 3.137%. Student fees and annual obligation transfers related to the Student Union Building COP are accounted for in a dedicated fund, which is used to pay principal and interest, not coming out of the general operating budget.

In August 2014, the College obtained financing in order to remodel Lacey Campus Building 1 through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $4,700,000. The interest rate charged is approximately 3.181%.

The College's debt service requirements for these note agreements for the next five years and thereafter are as follows:

13. Annual Debt Service Requirements

Future debt service requirements at June 30, 2016 are as follows.

Annual Debt Service Requirements			
Certificates of Participation			
Fiscal year	**Principal**	**Interest**	**Total**
2017	$ 445,000	$ 229,050	$ 674,050
2018	470,000	209,650	679,650
2019	495,000	189,150	684,150
2020	510,000	167,550	677,550
2021	195,000	145,300	340,300
2022-2026	1,145,000	569,500	1,714,500
2027-2031	1,405,000	307,775	1,712,775
2032-2036	960,000	67,900	1,027,900
Total	**5,625,000**	**1,885,875**	**7,510,875**

14. Schedule of Long Term Liabilities

	Balance outstanding 6/30/15	Additions	Reductions	Balance outstanding 6/30/16	Current portion
Certificates of Participation	$ 6,055,000	$ -	$ (430,000)	$ 5,625,000	$ 445,000
Net pension obligation	4,537,830	2,759,432	(1,558,157)	$ 5,739,105	0
Compensated absences	2,105,818	946,182	(849,483)	$ 2,202,517	515
Total	**$ 12,698,648**	**$ 3,705,614**	**$ (2,837,640)**	**$ 13,566,622**	**$ 445,515**

15. Pension Liability

Pension liabilities reported as of June 30, 2016 consists of the following:

Pension Liability by Plan		
PERS 1	$	2,696,492
PERS 2/3		2,142,763
TRS 1		718,281
TRS 2/3		181,569
Total	**$**	**5,739,105**

16. Pension Plans

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) plans are cost sharing multiple employer defined benefit pension plans administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan (SBRP) is a multiple employer defined contribution plan for the faculty and exempt administrative and professional staff of the state's public community and technical colleges. The plan includes supplemental payment, when required. The plan is administered by the State Board for Community and Technical Colleges (SBCTC).

For FY2016, the payroll for the College's employees was $5,871,737 for PERS, $1,165,414 for TRS, and $11,533,764 for SBRP. Total covered payroll was $18,570,915.

South Puget Sound Community College implemented Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions for the fiscal year 2015 financial reporting. The College's defined benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with Statement No. 68, the College has elected to use the prior fiscal year end, 6/30/15, as the measurement date for reporting net pension liabilities to align with the State CAFR.

Basis of Accounting

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for South Puget Sound Community College, for fiscal year 2016:

Aggregate Pension Amounts - All Plans

Pension liabilities	$5,739,105
Deferred outflows of resources related to pensions	$1,331,788
Deferred inflows of resources related to pensions	$ 859,562
Pension expense/expenditures	$ 594,560

PERS and TRS

Plan Descriptions. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested

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

The college also has 3 faculty members with pre-existing eligibility who continue to participate in TRS 1 or 2.

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

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

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

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2016, 2015, and 2014 are as follows.

Contribution Rates at June 30

	FY 2014		FY 2015		FY 2016	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	9.21%	6.00%	9.21%	6.00%	11.18%
Plan 2	4.92%	9.21%	4.92%	9.21%	6.12%	11.18%
Plan 3	5 - 15%	9.21%	5 - 15%	9.21%	5 - 15%	11.18%
TRS						
Plan 1	6.00%	10.39%	6.00%	10.39%	6.00%	13.13%
Plan 2	4.96%	10.39%	4.96%	10.39%	5.95%	13.13%
Plan 3	5-15%	10.39%	5-15%	10.39%	5-15%	13.13%

Required Contributions

	FY 2014		FY 2015		FY 2016	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$ 17,735.39	$ 27,214.93	$ 15,537.66	$ 23,839.49	$ 17,414.48	$ 32,449.22
Plan 2	$ 208,975.07	$ 391,419.89	$ 223,583.09	$ 417,501.98	$ 282,862.42	$ 516,734.30
Plan 3	$ 60,537.12	$ 89,175.72	$ 56,766.61	$ 85,354.64	$ 59,719.28	$ 107,276.72
TRS						
Plan 1	$ 8,162.96	$ 13,640.17	$ 3,104.15	$ 5,375.28	$ 1,446.60	$ 3,165.60
Plan 2	$ 4,531.48	$ 9,360.99	$ 5,079.00	$ 10,639.27	$ 6,778.07	$ 14,929.31
Plan 3	$ 48,022.85	$ 54,812.59	$ 76,473.03	$ 90,151.05	$ 88,354.06	$ 133,331.75

Investments

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

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

For the year ended June 30, 2015, the annual money-weighted rate of return on the pension investments, net of pension plan expenses are as follows:

Pension Plan	Rate of Return
PERS Plan 1	4.45%
PERS Plan 2/3	4.63%
TRS Plan 1	4.41%
TRS Plan 2/3	4.65%

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

The PERS and TRS target asset allocation and long-term expected real rate of return as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
Total	**100%**	

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

Pension Expense

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
FY15 Pension Expense	160,706	253,928	36,246	51,583	502,463
FY16 Amortization of change in proportionate liability	(79,798)	72,030	79,941	24,750	96,923
FY15 Amortization of change in proportionate liability		(4,826)			(4,826)
Total Pension Expense	**80,908**	**321,132**	**116,187**	**76,333**	**594,560**

Changes in Proportionate Shares of Pension Liabilities

The changes to the College's proportionate share of pension liabilities from 2014 to 2015 for each retirement plan are listed below:

	2014	2015
PERS 1	0.052957%	0.051549%
PER 2/3	0.060480%	0.059970%
TRS 1	0.020366%	0.022672%
TRS 2/3	0.014518%	0.021518%

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

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 3.00%
- Salary Increases 3.75%
- Investment rate of return 7.50%

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

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

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

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

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

Pension Plan	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS Plan 1	$ 3,282,986	$ 2,696,492	$ 2,192,161
PERS Plan 2/3	$ 6,265,548	$ 2,142,762	$ (1,013,900)
TRS Plan 1	$ 902,928	$ 718,281	$ 559,500
TRS Plan 2/3	$ 768,242	$ 181,570	$ (254,572)

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

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2016:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 227,776	$ -
Difference between expected and actual earnings of pension plan investments	$ -	$ 147,528	$ -	$ 572,016
Changes of Assumptions	$ -	$ -	$ 3,453	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ 180,076	$ 16,410
Contributions to pension plans after measurement date	$ 309,119	$ -	$ 334,949	$ -
	$ 309,119	**$ 147,528**	**$ 746,254**	**$ 588,426**

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 28,741	$ -
Difference between expected and actual earnings of pension plan investments	$ -	$ 53,165	$ -	$ 70,443
Changes of Assumptions	$ -	$ -	$ 158	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ 101,288	
Contributions to pension plans after measurement date	$ 74,235	$ -	$ 71,993	$ -
	$ 74,235	**$ 53,165**	**$ 202,180**	**$ 70,443**

The $790,286 reported as deferred outflows of resources, representing contributions the College made subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the year ended June 30, 2017.

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

Year ended June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
2017	(57,177)	(103,557)	(20,620)	2,425	(178,929)
2018	(57,177)	(103,557)	(20,620)	2,425	(178,929)
2019	(57,177)	(139,573)	(20,620)	2,425	(214,945)
2020	24,003	148,546	8,695	37,815	219,059
2021	-	21,021	-	12,026	33,047
2022	-	-	-	2,627	2,627
Total	**$ (147,528)**	**$ (177,120)**	**$ (53,165)**	**$ 59,743**	**$ (318,070)**

State Board Retirement Plan

Plan Description. Faculty and exempt administrative and professional staff are eligible to participate in SBRP. The Teacher's Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) are the companion organizations through which individual retirement annuities are purchased. Employees have at all times a 100% vested interest in their accumulations.

TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution which participates in TIAA-CREF.

The Plan has a supplemental payment component that guarantees a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The SBCTC makes direct payments on behalf of the College to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a non-reduced supplemental payment after the age of 65 with ten years of full-time service.

The minimum retirement benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% TIAA-CREF contribution after age 49, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

The State Board for Community and Technical Colleges is authorized to amend benefit provisions under RCW 28B.10.400. In 2011, the plan was amended to eliminate the supplemental benefit provisions for all employees hired after June 30, 2011.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2016 were each $980,547.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2016, supplemental benefits were paid by the SBCTC on behalf of the College 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, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $57,669. 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

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

17. 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 College 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. The College's share of the GASB 45 actuarially accrued liability (AAL) is $13,020,979, with an annual required contribution (ARC) of $1,295,745. 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 $188,442. The College's net OPEB obligation at June 30, 2016 was approximately $3,002,921. This amount is not included in the College's financial statements.

The College paid $3,627,312 for healthcare expenses in 2016, which included its pay-as-you-go portion of the OPEB liability.

18. 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.

Expenses by Functional Classification		
Instruction	$	18,265,851
Academic Support Services		3,109,578
Student Services		5,191,962
Institutional Support		6,527,443
Operations and Maintenance of Plant		6,133,340
Auxiliary enterprises		2,402,316
Student Financial Aid		5,672,516
Compensated Absences		96,962
Pension		(195,736)
Depreciation		3,518,966
Total operating expenses	**$**	**50,723,198**

19. Commitments and Contingencies

There is a class action lawsuit, *Moore v. HCA*, filed against the State of Washington on behalf of former part-time and non-permanent employees alleging improper denial of healthcare benefits. As of the end of fiscal year 2016, the parties had reached a settlement agreement with the plaintiffs to settle all matters relating to this and related lawsuits.

On March 29th 2016, the legislature passed the supplemental budget which included an appropriation to fund the settlement for the Moore v. HCA lawsuit. SBCTC's portion of this obligation is $32 million of which $19 million is funded by the legislature and the remaining $13 million allocated among 34 colleges in the system. In July 2016, the College was assessed and accrued a total liability in the amount of $281,802.

Additionally, the College is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial statement.

The College has commitments of $1,941,337 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of South Puget Sound Community College's Proportionate Share of the Net Pension Liability

Schedule of South Puget Sound Community College's Share of the Net Pension Liability

Public Employees' Retirement System (PERS) Plan 1

Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.052957%	$ 2,667,734	$ 5,472,399	48.75%	61.19%
2015	0.051549%	$ 2,696,492	$ 5,582,041	48.31%	59.10%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of South Puget Sound Community College's Proportionate Share of the Net Pension Liability

Schedule of South Puget Sound Community College's Share of the Net Pension Liability

Public Employees' Retirement System (PERS) Plan 2/3

Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.060480%	$ 1,222,519	$ 5,176,602	23.62%	93.29%
2015	0.059970%	$ 2,142,762	$ 5,321,288	40.27%	89.20%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of South Puget Sound Community College's Proportionate Share of the Net Pension Liability

Schedule of South Puget Sound Community College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.020366%	$ 600,686	$ 756,975	79.35%	68.77%
2015	0.022672%	$ 718,281	$ 1,056,980	67.96%	65.70%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of South Puget Sound Community College's Proportionate Share of the Net Pension Liability

Schedule of South Puget Sound Community College's Share of the Net Pension Liability

Teachers' Retirement System (TRS) Plan 2/3

Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.014518%	$ 46,892	$ 617,329	7.60%	96.81%
2015	0.021518%	$ 181,569	$ 1,005,320	18.06%	92.48%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 234,405	$ 234,405	$ -	$ 5,472,399	4.28%
2015	$ 236,918	$ 236,918	$ -	$ 5,582,041	4.24%
2016	$ 294,140	$ 294,140	$ -	$ 5,836,223	5.04%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions
Public Emplyees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 255,493	$ 255,493	$ -	$ 5,176,602	4.94%
2015	$ 267,140	$ 267,140	$ -	$ 5,321,288	5.02%
2016	$ 343,250	$ 343,250	$ -	$ 5,552,743	6.18%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 40,274	$ 40,274	$ -	$ 756,975	5.32%
2015	$ 50,734	$ 50,734	$ -	$ 1,056,980	4.80%
2016	$ 71,410	$ 71,410	$ -	$ 1,141,641	6.26%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 35,621	$ 35,621	$ -	$ 617,329	5.77%
2015	$ 57,184	$ 57,184	$ -	$ 1,005,320	5.69%
2016	$ 74,359	$ 74,359	$ -	$ 1,117,467	6.65%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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