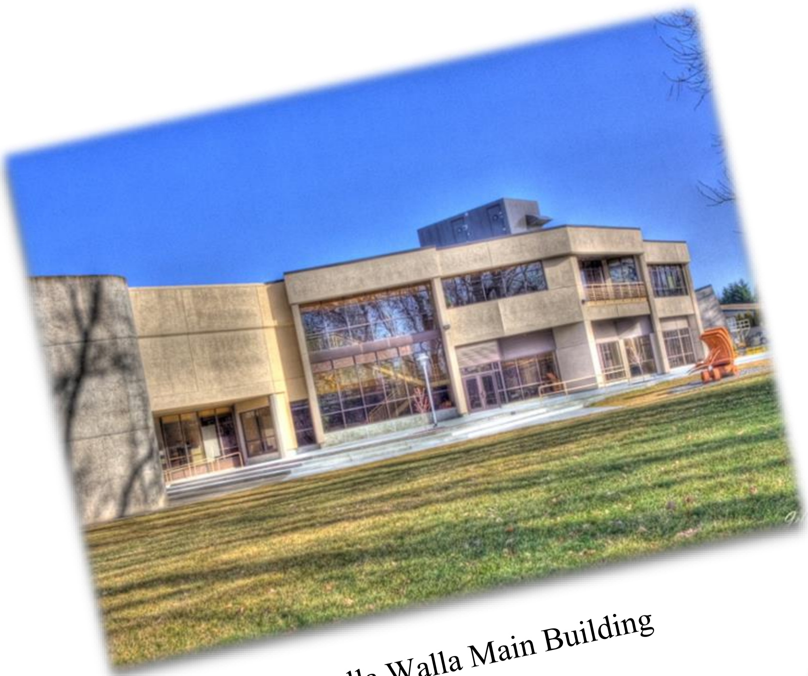
Walla Walla Community College

2016 Annual Financial Report

Fiscal Year Ended June 30, 2016



Walla Walla Main Building

Clarkston Health Science

2016 Financial Report

Table of Contents

For information about the financial data included in this report, contact:
Vice President of Financial and Administrative Services
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Walla Walla, WA 99362
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You may view the financial report at http://www.wwcc.edu/annual-financial-reports/

For information about enrollment, degrees awarded, or academic programs, contact:
Research & Planning
Walla Walla Community College
500 Tausick Way
Walla Walla, WA 99362
(509) 527-3685

Trustees and Administrative Officers

EXECUTIVE OFFICERS
Dr. Steven L. VanAusdle, President
Davina Fogg, Vice President of Financial & Administrative Services
Sherry Hartford, Vice President of Human Resources
Dr. Marleen Ramsey, Vice President of Instruction
Jose Da Silva, Vice President of Student Services

ADMINISTRATIVE COUNCIL
Kathy Adamski, Dean of Health Science Education
Jerry Anhorn, Dean of Workforce Education
Doug Bayne, Director of Resource Development
Kevin Combs, Director of Technology Services
Janet Danley, Director of Clarkston Campus
Carlos Delgadillo, Director/Registrar, Office of Admissions & Records
Jessica Gilmore, Dean of Business, Entrepreneurial Programs & Extended Learning
Danielle Hodgen, Director of Financial Aid
Shane Loper, Director of Facility Services and Capital Projects
Richard Middleton-Kaplan, Dean of Arts & Sciences
Darlene Snider, Dean of Transitional Studies
Loretta Taylor, Dean of Corrections Education
Melissa Thiessen, Director of Marketing, Media and Graphics
Nick Velluzzi, Director of Planning, Research and Assessment
Sue Willis, Director of Budget and Finance

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

Independent Auditor's Report on Financial Statements

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Walla Walla Community College
July 1, 2015 through June 30, 2016

Board of Trustees
Walla Walla Community College
Walla Walla, 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 Walla Walla Community College, Walla Walla County, 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.

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 Walla Walla 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 thereon has been furnished to us, and our opinion, insofar as it related to the amount included for the Walla Walla 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.

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, 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 Walla Walla Community College, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Walla Walla 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 pension plan information 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 May 30, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

May 30, 2017

Management's Discussion and Analysis

Walla Walla Community College

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

Walla Walla 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 10,000 students. The College confers associates degrees, certificates and high school diplomas. The College was established in 1967 and its primary purpose is to inspire students to discover their potential and achieve their goals by providing relevant, equitable, and innovative learning opportunities and services.

The College's main campus is located in Walla Walla, Washington, a community of about 32,000 residents. The College also has a campus in Clarkston, Washington. The College provides contracted educational services for the Department of Corrections at the Washington State Penitentiary in Walla Walla and at the Coyote Ridge Corrections Center in Connell. The College is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit – Walla Walla 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 includes all assets, liabilities, and net assets as of the fiscal year-end. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position			
	As of June 30, 2016	As of June 30, 2015	Change
Assets			
Current Assets	$ 16,546,018	$ 16,902,615	$ (356,597)
Capital Assets, net	52,095,771	53,516,030	(1,420,259)
Other Assets, non-current	845,646	869,042	(23,396)
Total Assets	**$ 69,487,436**	**$ 71,287,687**	**$ (1,800,251)**
Deferred Outflows	**$ 1,011,092**	**$ 582,849**	**$ 428,243**
Total Assets and Deferred Outflows	**$ 70,498,528**	**$ 71,870,536**	**$ (1,372,008)**
Liabilities			
Current Liabilities	3,617,460	3,908,075	(290,615)
Other Liabilities, non-current	8,419,071	7,620,623	798,448
Total Liabilities	**$ 12,036,531**	**$ 11,528,698**	**$ 507,833**
Deferred Inflows	**$ 752,079**	**$ 1,631,175**	**$ (879,096)**
Net Position	**$ 57,709,918**	**$ 58,710,663**	**$ (1,000,745)**
Toal Liabilities, Deferred Inflows, and Net Position	**$ 70,498,528**	**$ 71,870,536**	**$ (1,372,008)**

Current assets consist primarily of cash, investments, accounts receivable, inventories, and the short-term portion of student loans receivable, net of allowances. Cash and cash equivalents increased almost $1.3 million due to a corresponding decrease in accounts receivable owed to the college from other state agencies of almost $1.5 million. That change netted to a decrease of around $200,000 in current assets. Another decrease of almost $129,000 is due to the completion and sale of workforce instructional-related work in progress inventory during the current year.

Net capital assets decreased by $1.4 million from FY 2015 to FY 2016. Most of this decrease is attributable to annual depreciation of $2,667,065. That decrease is netted with the recording of new construction in progress as of year-end of $480,000 on the Clarkston Workforce and Business Development Center and with an increase in acquisitions of new equipment and library assets totaling almost $800,000.

Other non-current assets reflect the long-term portion of student loans receivable, net of allowances. The college makes student loans as part of the Perkins Federal loan program. The loans receivable balance decreased slightly due to students paying down loan balances and taking advantage of the service cancellations available through the program.

Deferred outflows of resources totaled $1,011,092, which is an increase over the fiscal year 2015 amount booked during the first year of implementation of GASB 68. The increase reflects an expectation that projected earnings on pension plan investments will exceed actual earnings resulting in the need to raise the balance in the pension liability account. GASB 68 has a significant impact on the College's financial statements in the recording of net pension liabilities to align with the State of Washington's Comprehensive Annual Financial Report (CAFR) measurement dates.

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, unearned revenue, and the current portion of compensated absences. Current liabilities generally 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 decrease in current liabilities from FY 2015 to FY 2016 is due to a number of normal fluctuations in balances owed as the books closed at year-end. Normal fluctuations in accounts payable balances at year-end resulted in a decrease of $495,000. An offset to that decrease was an increase in accrued liabilities of around $175,000 primarily due to a large increase in the amount of accrued wages that were owed as of June 30th. Other small changes in the balances of unearned revenues, the current portion of compensated absences liability, and the current portion of debt owed on long-term Certificates of Participation round out the other changes to current liabilities.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees (compensated absences), pension liabilities and the long-term portion of Certificates of Participation debt. The College's overall increase of almost $800,000 in non-current liabilities is due primarily to the increase in pension liability of over $1,170,000. Other changes affecting non-current liabilities were a decrease of almost $89,000 in compensated absences combined with a decrease in the principal amount owed on four COPs. The principal amount outstanding declined by $285,000 during FY 2016 due to normally scheduled annual debt service payments plus the refinancing of two older COPs.

Deferred inflows of resources related to the College's net pension liability decreased by $880,000. Changes in the amount booked for deferred inflows can be due to the differences between actual and projected earnings on pension plan investments and it can also be due to changes like demographics or future economic assumptions affecting the state's pension plans.

Net position represents the value of the College's assets after liabilities 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:

***Non Expendable* –** 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. Student loans make up the majority of the College's expendable restricted funds, but there is also a small amount of student financial aid that falls under this classification. The changes in student loan balances were discussed in this section.

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.

Condensed Net Position As of June 30th	**FY 2016**	**FY 2015**	**Change**
Net investment in capital assets	$ 50,410,771	$ 51,556,030	$ (1,145,259)
Restricted			
Expendable for financial aid	31,270	162,569	(131,299)
Expendable for student loans	1,059,728	1,180,959	(121,231)
Unrestricted	6,208,148	5,811,104	397,044
Total Net Position	**$ 57,709,918**	**$ 58,710,663**	**$ (1,000,745)**

Statement of Revenues, Expenses and Changes in Net Position

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

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

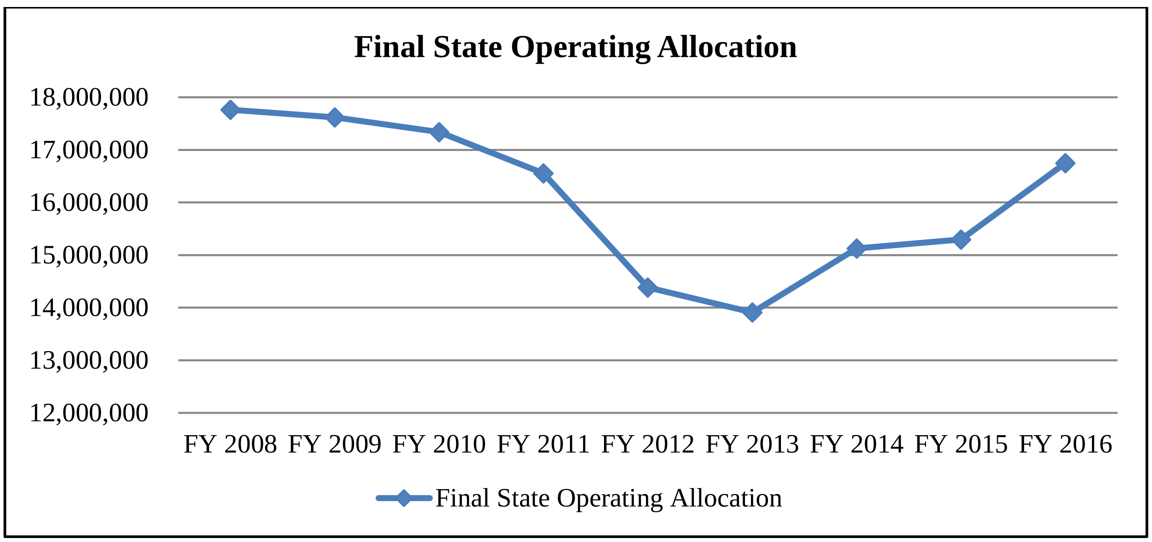
Operating expenses are expenses incurred in the normal operation of the College, including depreciation on property and equipment assets. When operating revenues, excluding state appropriations and Pell grants, are measured against operating expenses, the College shows an operating loss. The operating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

A comparison of the Condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2016 and 2015 is presented below.

Condensed Statement of Revenue, Expenses and Changes in Net Position						
For year ended June 30		2016		2015		Change
Operating Revenues	$	28,628,820	$	28,560,684	$	68,136
Operating Expenses		52,518,670		52,549,683		(31,013)
Net Operating Loss	$	(23,889,850)	$	(23,988,999)	$	99,149
Non-Operating Revenues (Expenses)	$	21,590,909	$	21,207,336	$	383,573
Gain (Loss) Before Capital Contributions	$	(2,298,941)	$	(2,781,663)	$	482,722
Capital Appropriations and Gifts		1,298,197		5,269,511		(3,971,314)
Increase (Decrease) in Net Position	$	(1,000,744)	$	2,487,848	$	(3,488,592)
Net Position, Beginning of the Year	$	58,710,663	$	56,222,815	$	2,487,848
Net Position, End of the Year	$	57,709,918	$	58,710,663	$	(1,000,745)

Revenues

The State of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. System-level appropriations hit their height in FY 2009 and as a result of the great recession were reduced by almost 24% by FY 2013. In FY 2015, the Legislature reinstated a small portion of the previous cuts. For FY 2016, the College's state appropriation increased by approximately $1,449,491 or 9.476%.



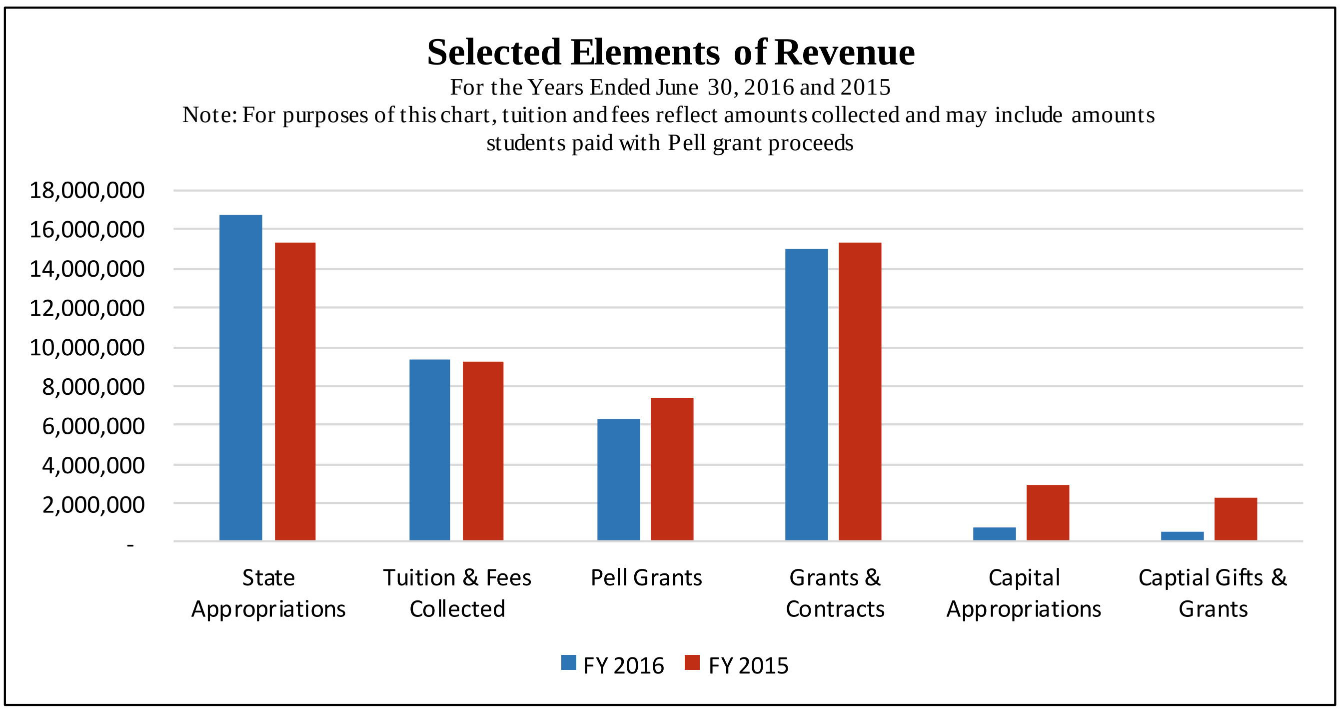
The Legislature did not allow tuition increases for the two-year colleges in FY 2014 or FY 2015. In FY 2016, the Legislature enacted the Affordable Education Act, which decreased tuition by 5%. The Legislature did however backfill a portion of this loss with state funding as seen in the graph above. College enrollments declined by about 1%, 49 full-time equivalent students, but revenue from tuition and fees actually increased slightly by 1% or $90,000. Pell grant revenues received by the College decreased by $1.1 million or 14.78%. Like in previous years, the College held other fees as stable as possible, resulting in very little change in fee revenues. The College continues to serve some students by offering programs on a fee-only basis, as allowed by law.

In FY 2016, grant and contract revenues decreased by approximately $340,000, or 2%, when compared with FY 2015. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start and Alternative

Education Program students who earn either high school credits, college credits or both for courses taken as a part of these programs.

The College receives capital spending authority on a biennial basis and is generally required to expend all funding during the biennium it is appropriated. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Compared to FY 2015, the College received and expended around $2.2 million less in capital appropriations during FY 2016. Before the end if the biennium in FY 2015 there was a significant amount of capital work done to catch-up on overdue and lagging projects/expenditures before spending authority expired. The large number of projects completed resulted in an unusually large capital appropriation for that year. For FY 2016, a total of almost $800,000 was received with the majority of those funds being accounted for as operating expenses instead of being capitalized as assets on the Statement of Net Position.

During FY 2016, approximately $500,000 was received as capital gifts and grants with the majority of that revenue coming from a US Department of Commerce grant. This grant is being used to fund a portion of the construction costs for the Clarkston Workforce and Business Development Center.



Expenses

For FY 2016, salary expenditures increased by $960,000 due to the 3% COLA salary increase approved by the legislature for all employee groups. The College and the Association of Higher Education (AHE, faculty union) negotiated an additional faculty salary increase above the 3% COLA that added approximately $200,000 in salary expenses annually. Employee benefit costs increased by $1.2 million. The two biggest benefit changes were retirement benefit costs that increased by $183,000 and the costs for health, life and disability insurance coverages increased $903,000 due to a significant increase in the monthly employer paid health care amount for each benefit eligible employee.

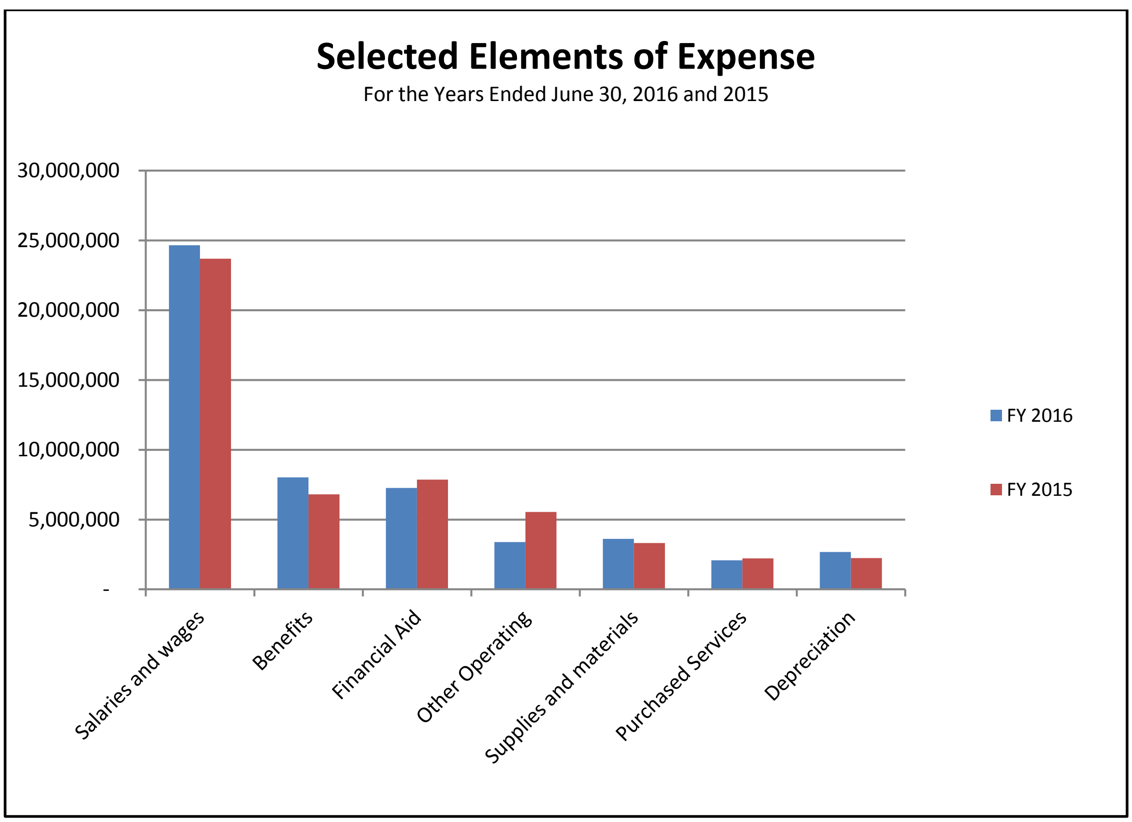
Expenditures for student financial aid declined by $585,000 or about 7.5% in FY 2016. This decrease in student aid expenditures is consistent with the large decline in Pell grant revenues reported previously.

Overall, combined expenses for supplies and materials, purchased services and other operating expenses decreased by around $2 million with most of that decrease showing up as other operating expenses. This is a direct result of decreased spending related to a decrease in capital appropriations received from the state that are used for services related to repairing and upgrading facility projects and for other non-capitalized equipment purchases. Expenditures from capital project funds that do not meet accounting standards for capitalization are reported as other 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. Other costs reported as operating expenses include items such as travel, employee training, non-capitalized equipment, software, printing and other supplies.

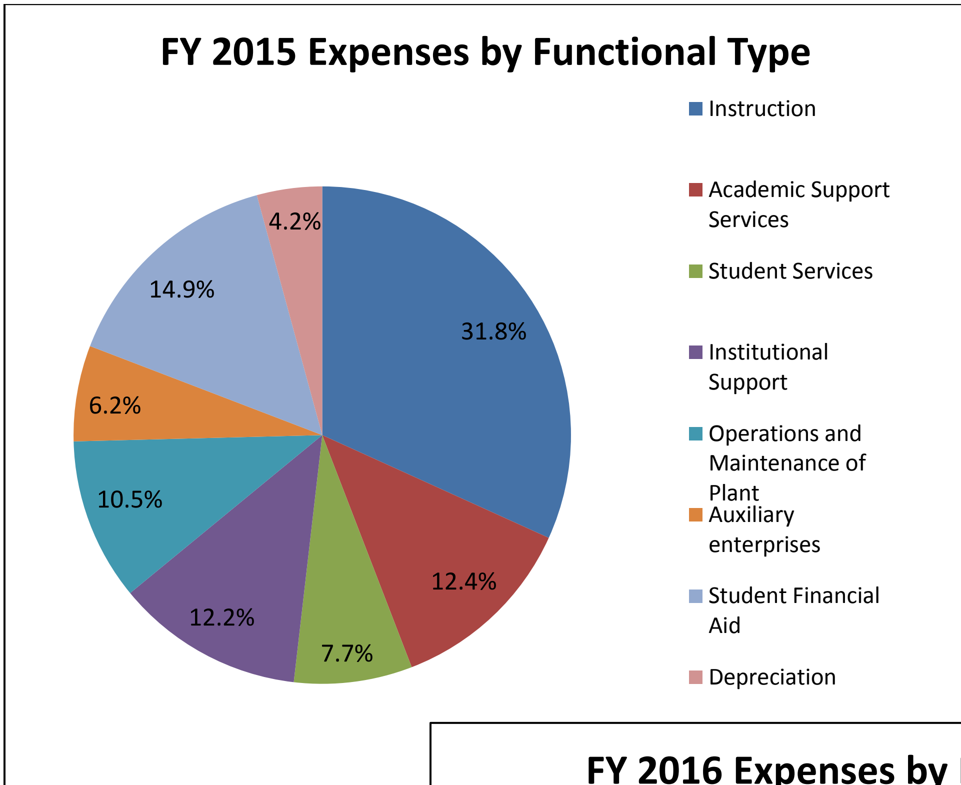
Utility costs were also around 6.1% lower, or $55,000, when compared to FY 2015 primarily due to efficiencies gained by the solar and wind energy projects being completed and placed into service. Depreciation expense is driven by capital activity, with the annual depreciation expense showing an increase in any year when new capital projects are completed and placed in service. Fluctuations of this nature are to be expected.

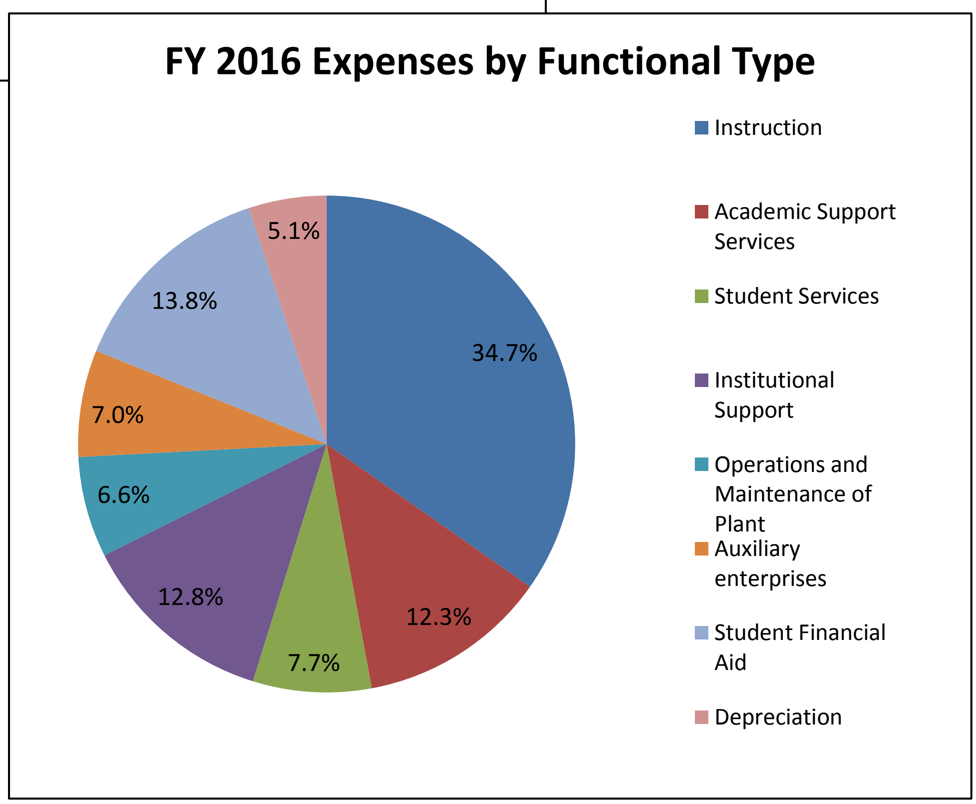
Comparison of Selected Elements of Operating Expenses

The following chart shows the amount, in dollars, for selected elements of operating expenses for FY 2016 and FY 2015.



Operating Expenses by Function
The following charts show the amount, by percentage, of operating expenses for each functional area for FY 2015 and FY 2016.





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

At June 30, 2016, the College had invested $52,095,771 in capital assets, net of accumulated depreciation. This represents a decrease of $1,420,259 from last year, as shown in the table below.

Asset Type	June 30, 2016	June 30, 2015	Change
Land	$ 2,553,379	$ 2,553,379	$ -
Construction in Progress	531,239	2,359,340	(1,828,101)
Buildings, net	43,745,486	45,077,484	(1,331,998)
Other Improvements and Infrastructure, net	2,259,335	400,336	1,858,999
Equipment, net	2,875,442	2,986,177	(110,735)
Library Resources, net	130,890	139,313	(8,423)
Total Capital Assets, Net	**$ 52,095,771**	**$ 53,516,030**	**$ (1,420,259)**

A decrease in net capital assets is normally attributed to accumulated depreciation and disposal of obsolete equipment. During FY 2016, the installation and placement in service of solar equipment and wind turbines purchased during FY 2015 through the State Department of Commerce's IPZ program resulted in a decrease in construction in progress and an increase in other improvements and infrastructure of $2 million. This decrease in construction in progress was offset by an increase for costs accumulated in FY 2016 for construction of the Clarkston Workforce and Business Development Center. Three pieces of equipment were also donated during the fiscal year at a FMV value of $23,000. Additional information on capital assets can be found in Note 7 of the Notes to the Financial Statements.

At June 30, 2016, the College had $1,685,000 in outstanding debt on four Certificates of Participation (COP). The College refunded two COPs during FY 2016. These refundings resulted in lower interest rates and created subsequent savings to the College over the remaining term of the COP.

Debt	June 30, 2016	June 30, 2015	Change
Certificates of Participation	$ 1,685,000	$ 1,960,000	$ (275,000)
Total	**$ 1,685,000**	**$ 1,960,000**	**$ (275,000)**

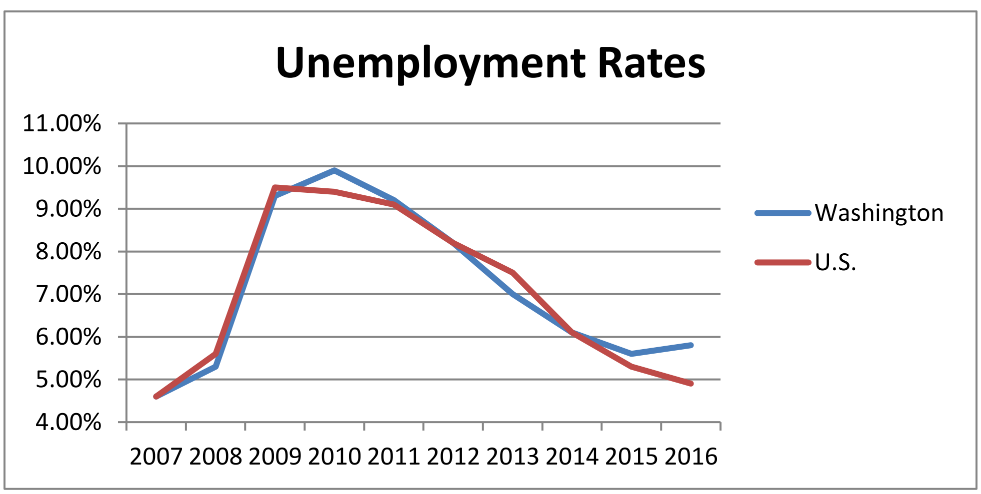
Additional information on long-term debt and debt service schedules can be found in Notes 14, 15 and 16 of the Notes to the Financial Statements.

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. When creating the 2013-2015 biennial budget, the state Legislature made some modest reinvestments in community and technical colleges. Beginning FY 2016, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the community colleges. This reduction reduced the amount of tuition collected although the Legislature did partially backfill the loss of tuition revenue to the College. In FY 2017, the State Board for Community and Technical Colleges elected to move to a new allocation model that changed how all state allocated funds are distributed amongst the colleges. The new model has several indicators built in that affect each College's allocation including a 5% share of the system's appropriation that is based on a few performance indicators like student completions and achievement points. Another key factor used in the new formula is the use of a three-year rolling average of actual enrollments dictating a College's target for the upcoming year. Lastly, the new model weights certain full-time equivalent students (FTES) based on a high priority indicator so that some FTES are actually treated as 1.3 instead of 1. The old funding formula actually funded WWCC at a higher amount per FTES and therefore WWCC will lose money due to the adoption of the new allocation model.

It is 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.

A hallmark of community colleges is the flexibility to quickly respond to the needs of the community. This results in an enrollment pattern of high enrollments during economic downturns when jobs are scarce and unemployment is high. The opposite happens as well, in that community colleges experience lower enrollment when the job market is strong and unemployment rates are low. While the Great Recession of 2008 had a lingering effect on the job market in Washington, a significant improvement has occurred in the last few years. Like most community colleges in the state, WWCC has experienced enrollment declines as the state economy improves, repeating those historic enrollment patterns related to unemployment rates. Enrollment fluctuations are a more significant concern for higher education finances in the current environment where state support has been reduced and tuition revenues make up a larger share of a college's overall funding.



College Statement of Net Position

Walla Walla Community College
Statement of Net Position
June 30, 2016

Assets		
Current assets		
Cash and cash equivalents	$	9,547,458
Accounts receivable, net of allowances		6,151,369
Student loans receivable, net of allowances		172,047
Inventories		583,689
Prepaid expenses		91,456
Total current assets	**$**	**16,546,018**
Non-Current Assets		
Student loans receivable, net of allowances	$	845,646
Capital assets, not being depreciated		3,084,618
Capital assets, net of accumulated depreciation		49,011,153
Total non-current assets	**$**	**52,941,417**
Total assets	**$**	**69,487,436**
Deferred Outflows of Resources Related to Pensions	**$**	**1,011,092**
Total Assets and Deferred Outflows	**$**	**70,498,528**
Liabilities		
Current Liabilities		
Accounts payable	$	486,761
Accrued liabilities		1,543,974
Compensated absences		250,681
Unearned revenue		1,176,044
Certificates of participation payable		160,000
Total current liabilities	**$**	**3,617,460**
Noncurrent Liabilities		
Compensated absences	$	1,887,932
Pension liability		5,006,139
Long-term liabilities		1,525,000
Total non-current liabilities	**$**	**8,419,071**
Total liabilities	**$**	**12,036,531**
Deferred Inflows of Resources Related to Pensions	**$**	**752,079**
Net Position		
Net investment in capital assets	$	50,410,771
Restricted for:		
Expendable for financial aid		31,270
Expendable for student loans		1,059,728
Unrestricted		6,208,148
Total net position	**$**	**57,709,918**
Total Liabilities, Deferred Inflows, and Net Position	**$**	**70,498,528**

The accompanying notes are an integral part of these financial statements

Foundation Statement of Financial Position

Walla Walla Community College Foundation and Subsidiary
Consolidated Statements of Financial Position
December 31, 2015

Assets		
Current assets		
Cash and cash equivalents	$	478,898
Investments		5,693,666
Prepaid tuition		431,350
Inventory		96,482
Assets held for resale		53,860
Prepaid expenses and other assets		2,594
Total current assets	$	6,756,850
Property and equipment, net of accumulated depreciation		1,667,273
Total assets	$	8,424,123
Liabilities and net assets		
Current liabilities		
Accounts payable	$	92,129
Accrued expenses		7,333
Total liabilities	$	99,462
Net assets		
Unrestricted net assets	$	2,140,995
Temporarily restricted net assets		6,183,666
Total net assets	$	8,324,661
Total liabilities and net assets	$	8,424,123

College Statement of Revenues, Expenditures and Changes in Net Position

Walla Walla 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 of discounts	$	9,352,418
Auxiliary enterprise sales		2,289,154
State and local grants and contracts		13,898,501
Federal grants and contracts		1,056,794
Other operating revenues		2,010,375
Interest on loans to students		21,578
Total operating revenue	**$**	**28,628,820**
Operating Expenses		
Operating expenses	$	3,383,218
Salaries and wages		24,660,387
Benefits		8,017,697
Scholarships and fellowships		7,264,793
Supplies and materials		3,605,989
Depreciation		2,667,065
Purchased services		2,070,632
Utilities		848,891
Total operating expenses	**$**	**52,518,670**
Operating income (loss)	**$**	**(23,889,850)**
Non-Operating Revenues (Expenses)		
State appropriations	$	16,746,613
Federal Pell grant revenue		6,344,183
Investment income, gains and losses		30,366
Building fee remittance		(1,208,269)
Innovation fund remittance		(261,419)
Interest on indebtedness		(60,565)
Net non-operating revenues (expenses)	**$**	**21,590,909**
Income (Loss) before capital contributions	**$**	**(2,298,941)**
Capital appropriations		795,118
Capital gifts and grants		503,079
Increase (Decrease) in net position	**$**	**(1,000,744)**
Net Position		
Net position, beginning of year	**$**	**58,710,663**
Net position, end of year	**$**	**57,709,918**

The accompanying notes are an integral part of these financial statements

Foundation Statement of Activities and Changes in Net Position

Walla Walla Community College Foundation and Subsidiary
Consolidated Statement of Activities and Changes in Net Assets
Year ended Dec. 31, 2015

	Unrestricted	Temporarily Restricted	Totals
Revenue			
Contributions and grants	$ 35,200	$ 697,777	$ 732,977
Unrealized gain on investments	(8,915)	(378,234)	(387,149)
Lease income	196,765	-	196,765
Interest and dividends	37,211	195,433	232,644
Donated service and materials	134,497	-	134,497
Warrior club	31,343	-	31,343
Realized gain on investments	(60,689)	103,738	43,049
Gain on sale of asset	14,967	-	14,967
Other income	7,163	-	7,163
Program revenue	16,578	-	16,578
Wine Operations			
Retail Sales	227,477	-	$ 227,477
Less: Cost of goods sold	(74,562)	-	(74,562)
Gross Profit	152,915	-	152,915
Net assets released from restrictions	840,774	(840,774)	-
Total public support, revenue and reclassifications	$ 1,397,809	$ (222,060)	$ 1,175,749

(continued on next page)

Continued from previous page

Walla Walla Community College Foundation and Subsidiary
Consolidated Statement of Activities and Changes in Net Assets (cont.)
Year ended Dec. 31, 2015

	Unrestricted	Temporarily Restricted	Totals
Expenses			
Scholarships and awards:			
Scholarships and awards	$ 783,831	$ -	$ 783,831
Grant expenditures	108,630	-	108,630
Program expenses	185,718	-	185,718
Administration:			
Selling expense	(30)	-	(30)
Advertising	54,562	-	54,562
Bank fees	2,635	-	2,635
Administrative fee	237,923	-	237,923
Professional services	379	-	379
Investment expense	28,669	-	28,669
Depreciation	86,016	-	86,016
Insurance	20,053	-	20,053
Supplies	10,905	-	10,905
Taxes and licenses	15,665	-	15,665
Travel	8,085	-	8,085
Dues and subscriptions	9,643	-	9,643
Repair and maintenance	4,809	-	4,809
Donated service and materials	88,897	-	88,897
Miscellaneous	54,384	-	54,384
Fundraising event expenses:			
Entwine	816	-	816
Warrior club	34,344	-	34,344
Total Expenses	$ 1,735,934	$ -	$ 1,735,934
Change in net assets	$ (338,125)	$ (222,060)	$ (560,185)
Net assets - beginning of year	2,479,120	6,405,726	8,884,846
Net assets - end of year	$ 2,140,995	$ 6,183,666	$ 8,324,661

College Statement of Cash Flows

Walla Walla Community College
Statement of Cash Flows
For the Year Ended June 30, 2016

Cash flow from operating activities		
Student tuition and fees, net of discounts	$	9,301,804
Grants and contracts		15,647,590
Payments to vendors		(9,474,293)
Payments for utilities		(833,106)
Payments to employees		(24,402,792)
Payments for benefits		(8,193,982)
Auxiliary enterprise sales		2,261,931
Payments for scholarships		(7,264,793)
Loans issued to students		(145,106)
Collection of loans to students		147,352
Other receipts		2,028,769
Net cash used by operating activities	**$**	**(20,926,625)**
Cash flow from noncapital financing activities		
State appropriations	$	17,079,261
Federal Pell grant revenue		6,344,183
Building fee remittance		(1,206,434)
Innovation fund remittance		(261,575)
Net cash provided by noncapital financing activities	**$**	**21,955,436**
Cash flow from capital and related financing activities		
Capital appropriations	$	1,311,365
Purchases of capital assets		(1,245,687)
Capital gifts and grants		503,079
Principal paid on capital debt		(275,000)
Interest paid on indebtedness		(60,565)
Net cash provided by capital and related financing activities	**$**	**233,192**
Cash flow from investing activities		
Income of investments	$	30,366
Net cash provided by investing activities	**$**	**30,366**
Increase in cash and cash equivalents	**$**	**1,292,369**
Cash and cash equivalents at the beginning of the year	**$**	**8,255,090**
Cash and cash equivalents at the end of the year	**$**	**9,547,458**

The accompanying notes are an integral part of the financial statements

(Cash Flow Statement - cont.)

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	**$**	**(23,889,850)**
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense	$	2,667,065
Changes in assets and liabilities		
Receivables, net of allowances	$	664,786
Inventories		148,862
Other assets		(12,056)
Accounts payable		(493,969)
Accrued liabilities		167,715
Unearned revenue		(18,758)
Compensated absences		(52,091)
Pension liability		(135,004)
Loans to students		26,674
Net cash used by operating activities	**$**	**(20,926,625)**
Non Cash Transactions		
Donated assets	$	23,000
Debt refinancing		130,000

The accompanying notes are an integral part of these financial statements

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
Walla Walla 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 Walla Walla 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 support the educational and cultural programs of the College through an annual fund drive and other fund raising events. 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 and audited 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 fiscal year ended June 30, 2016, the Foundation distributed approximately $790,487 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Vice President of Financial and Administrative Services, Walla Walla Community College, 500 Tausick Way, Walla Walla, WA 99362 or by calling (509)527-4201.

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 and bank demand deposits. 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. 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.

Student loans receivable consist of amounts due from participation in the Federal Perkins Loan Program.

Inventories
Merchandise inventory consists solely of merchandise held for resale in the bookstore and is valued using the FIFO method. Consumable inventories consist solely of inventories of food supplies held for use by the campus café and are valued using the FIFO method. The College's vocational programs purchase student project vehicles and valuation of these work-in-process projects are valued at actual costs incurred.

Prepaid Items
Prepaid items are generally outstanding credit memos received by the College's on-campus bookstore for items returned. Credit memos also exist due to deposits on equipment on order.

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 fair market value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives 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 summer quarter tuition and fees, and advanced grant proceeds 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.* Resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by statute, granting authorities, or third parties.
    - *Expendable for Financial Aid*. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
    - *Expendable for Student Loans*. The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.
- *Unrestricted*. These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues and Expenses
The College has classified its revenues and expenses as either operating or non-operating 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.

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 $3,708,997.

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

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 has reviewed their assets and liabilities and any necessary adjustments to note disclosures have been made.

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 of GAAP.

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 Investments

Cash and cash equivalents include bank demand deposits and petty cash held at the College.

As of June 30, 2016, the carrying amount of the College's cash and equivalents was $9,547,458 as represented in the table below.

Cash and Cash Equivalents	**June 30, 2016**
Petty Cash and Change Funds	$ 9,275
Undeposited Cash	$13,870
Bank Demand and Time Deposits	9,524,313
Total Cash and Cash Equivalents	**$ 9,547,458**

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 Columbia 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	$ 1,042,930
Due from the Federal Government	612,231
Due from Other State Agencies	3,753,467
Auxiliary Enterprises	171,158
Other	624,083
Subtotal	$ 6,203,869
Less Allowance for Uncollectible Accounts	(52,500)
Total Accounts Receivable, net of allowances	**$ 6,151,369**

5. Loans Receivable

Loans receivable as of June 30, 2016 consisted primarily of student loans, as follows.

Loans Receivable	Amount
Student Loans Receivable	$ 1,085,393
Less Allowance for Uncollectible Accounts	(67,700)
Total Loans Receivable, net of allowances	**$ 1,017,693**

6. Inventories

Inventories, stated at cost using FIFO or actual project costs incurred, consisted of the following as of June 30, 2016.

Inventories	Amount	Valuation Method
Consumable Inventories	$ 13,818	FIFO
Merchandise Inventories	$ 384,325	FIFO
Work in Progress Inventories	$ 185,546	Actual Cost
Total Inventories	**$ 583,689**	

7. 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 $2,667,065. The college received 3 donated assets totaling $23,000 during this fiscal year. These donated assets were recorded at fair market value. Interest expense during the year was $60,565, none of which was capitalized.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	$ 2,553,379			$ 2,553,379
Construction in progress	2,359,340	480,079	(2,308,180)	531,239
Total nondepreciable capital assets	4,912,719	480,079	(2,308,180)	3,084,618
Depreciable capital assets				
Buildings	65,167,826			65,167,826
Other improvements and infrastructure	561,745	2,239,346		2,801,091
Equipment	7,584,307	756,407	(232,070)	8,108,644
Library resources	2,870,447	30,148		2,900,595
Subtotal depreciable capital assets	76,184,325	3,025,901	(232,070)	78,978,156
Less accumulated depreciation				
Buildings	20,090,342	1,331,998		21,422,340
Other improvements and infrastructure	161,409	380,347		541,756
Equipment	4,598,130	916,149	(281,077)	5,233,202
Library resources	2,731,134	38,571		2,769,705
Total accumulated depreciation	27,581,015	2,667,065	(281,077)	29,967,003
Total depreciable capital assets	48,603,310	358,836	49,007	49,011,153
Capital assets, net of accumulated depreciation	53,516,030	838,915	(2,259,173)	52,095,771

8. 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.

9. Accounts Payable and Accrued Liabilities
At June 30, 2016, accounts payable and accrued liabilities are the following.

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 968,534
Accounts Payable	837,752
Amounts Held for Others	224,449
Total Accounts Payable and Accrued Liabilities	**$ 2,030,735**

10. 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	$	1,126,103
Grants and Contracts		49,940
Total Unearned Revenue	**$**	**1,176,044**

11. Risk Management
The College is exposed to various risks of loss related to tort liability, injuries to employees, errors and omissions, theft of, damage to, and destruction of assets, and natural disasters. Some of the key insurance coverages used by the College to mitigate these risks are summarized below. Management believes these coverages are sufficient to preclude significant uninsured losses.

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 $38,267.

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.

12. Compensated Absences
At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when 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 $907,367, and accrued sick leave totaled $1,231,246 at June 30, 2016.

Accrued annual vacation and sick leave are generally categorized as non-current liabilities, however, an estimated amount, based on a three-year average payout, has been re-classed as a current liability. Compensatory time is categorized as a current liability since it must be used before other leave. As of June 30, 2016 there was no compensatory time liability.

13. 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.

Operating Leases Payable		
Fiscal year	**Equipment Leases**	**Property Leases**
2017	$ 42,444	$ 149,235
2018	6,172	3,450
2019	360	3,519
2020	0	3,589
Total minimum lease payments	**$ 48,976**	**$ 159,793**

14. Notes Payable

In June, 2004, the College obtained financing to purchase property and buildings adjacent to the Clarkston Campus through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $530,000. The interest rate charged is approximately 1.94084%.

In June, 2004, the College obtained financing in order to purchase property adjacent to the Walla Walla Campus through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $1,110,000. The interest rate charged is approximately 1.96203%.

In June, 2006, the College obtained financing in order to purchase land and construct the Walla Walla Health Science building through a certificate of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $1,095,000. This COP was refinanced through the OST in October of 2015 with a principal balance of $635,000. The interest rate charged is approximately 2.12571% with all other terms and conditions remaining the same as the original COP.

In June, 2007, the College obtained financing in order to build the Clarkston Health Science Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $650,000. This COP was refinanced through the OST in March of 2016 with a principal balance of $360,000. The interest rate charged is approximately 2.11868% with all other terms and conditions remaining the same as the original COP.

The College's debt service requirements for these note agreements for the next five years and thereafter are shown in Note #15.

15. Annual Debt Service Requirements

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

Annual Debt Service Requirements			
Certificates of Participation			
Fiscal year	**Principal**	**Interest**	**Total**
2017	$ 160,000	$ 82,210	$ 242,210
2018	160,000	70,350	230,350
2019	175,000	62,600	237,600
2020	175,000	54,750	229,750
2021	185,000	46,900	231,900
2022-2026	790,000	110,700	900,700
2027-2031	40,000	2,000	42,000
Total	**$1,685,000**	**$ 429,510**	**$2,114,510**

16. Schedule of Long Term Liability

	Balance outstanding 6/30/15	Additions	Reductions	Balance outstanding 6/30/16	Current portion
Certificates of Participation	$ 1,960,000		$ 275,000	$ 1,685,000	$ 160,000
Compensated Absences	2,190,705	1,102,424	1,154,515	2,138,614	250,681
Net pension obligation	3,833,803	1,172,336		5,006,139	
Total	**$ 7,984,508**	**$ 2,274,760**	**$ 1,429,515**	**$ 8,829,753**	**$ 410,681**

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

Pension Liability by Plan		
PERS 1	$	2,506,034
PERS 2/3		2,135,509
TRS 1		307,563
TRS 2/3		57,033
Total	**$**	**5,006,139**

18. 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 $5,531,672 for PERS, $460,187 for TRS, and $15,701,078 for SBRP. Total covered payroll was $21,692,937.

The 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 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 the College, for fiscal year 2016:

Aggregate Pension Amounts - All Plans	
Pension liabilities	$5,006,139
Deferred outflows of resources related to pensions	$1,011,092
Deferred inflows of resources related to pensions	$ 752,079
Pension expense/expenditures	$ 531,634

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 4 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.

	PERS and TRS 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	4.69%	10.39%	4.96%	10.39%	5.95%	13.13%
Plan 3	5-15%	10.39%	5-15%	10.39%	5-15%	13.13%

PERS and TRS Required Contributions						
	FY2014		FY2015		FY2016	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$ 6,105	$ 9,369	$ 4,902	$ 7,524	$ 3,468	$ 6,463
Plan 2	185,821	347,668	199,078	372,646	256,416	468,390
Plan 3	40,267	54,427	90,971	116,349	95,025	143,302
TRS						
Plan 1	$ 4,284	$ 7,140	$ 4,325	$ 7,489	$ 4,470	$ 9,442
Plan 2	7,540	15,575	6,451	13,513	6,772	14,854
Plan 3	10,555	11,697	12,963	19,001	17,310	34,385

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	$149,355	$253,068	$15,520	$16,203	$434,146
FY16 Amortization of change in proportionate liability	48,797	27,993	15,635	5,063	97,488
FY15 Amortization of change in proportionate liability					
Total Pension Expense	**$198,152**	**$281,061**	**$31,155**	**$21,266**	**$531,634**

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	.047047%	.047908%
PER 2/3	.057918%	.059767%
TRS 1	.009257%	.009708%
TRS 2/3	.006200%	.006759%

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%, 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% 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% 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% 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%, 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%) or 1-percentage-point higher (8.50%) than the current rate.

Pension Plan	**1% Decrease (6.50%)**	**Current Discount Rate (7.50%)**	**1% Increase (8.50%)**
PERS Plan 1	$ 3,051,103	$ 2,506,034	$ 2,037,324
PERS Plan 2/3	6,244,339	2,135,509	(1,010,468)
TRS Plan 1	386,628	307,563	239,574
TRS Plan 2/3	241,312	57,033	(79,963)

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			$227,005	
Difference between expected and actual earnings of pension plan investments		$137,107		$570,080
Changes of Assumptions			3,441	
Changes in College's proportionate share of pension liabilities			85,731	
Contributions to pension plans after measurement date	$278,562		329,958	
Totals	**$278,562**	**$137,107**	**$646,135**	**$570,080**

	TRS 1		TRS 2/3	
	Deferred Outflows	**Deferred Inflows**	**Deferred Outflows**	**Deferred Inflows**
Difference between expected and actual experience			$9,028	
Difference between expected and actual earnings of pension plan investments		$22,765		$22,127
Changes of Assumptions			50	
Changes in College's proportionate share of pension liabilities			19,200	
Contributions to pension plans after measurement date	33,559		24,558	
Totals	**$33,559**	**$22,765**	**$52,836**	**$22,127**

The $666,637 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year 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**
2017	$(53,138)	$(142,190)	$(8,829)	$(1,950)
2018	(53,138)	(142,190)	(8,829)	(1,950)
2019	(53,138)	(147,438)	(8,829)	(1,950)
2020	22,307	156,966	3,723	8,982
2021		20,950		2,191
2022				825
Total	**$(137,107)**	**$(253,902)**	**$(22,764)**	**$6,150**

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 $1,334,022.

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 $58,255. 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 $78,656. 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.

19. 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 $13,874,813, with an annual required contribution (ARC) of $1,380,711. 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 $200,799. The College's net OPEB obligation at June 30, 2016 was approximately $3,199,834. This amount is not included in the College's financial statements.

The College paid $4,126,316 for healthcare expenses in 2016, which included its pay-as-you-go portion of the OPEB liability.

19. Operating Expenses by Functional Program

In the Statement of Revenues, Expenses and Changes in Net Assets, 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, academic support, and student services. The following table lists operating expenses by functional program for the year ending June 30, 2016.

Expenses by Functional Program	
Instruction	$ 18,277,306
Academic Support Services	6,496,030
Student Services	4,050,067
Institutional Support	6,738,486
Operations and Maintenance of Plant	3,453,371
Auxiliary Enterprises	3,571,553
Student Financial Aid	7,264,793
Depreciation	2,667,065
Total operating expenses	**$ 52,518,670**

20. 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 a total of $252,415 for this liability which was then accrued.

In May of 2016, the College broke ground on new construction for a Workforce and Business Development facility on the Clarkston campus with a total project budget of $6,185,000. The project has an expected completion date of May 2017.

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.

21. Subsequent Events

The College is not aware of any subsequent events or factors affecting these financial statements.

We would like to acknowledge the following staff responsible for the content of this report:

Lori Carambot, Director of Special Fiscal Services
Sue Willis, Director of Budget and Finance
Davina Fogg, Vice President of Financial and Administrative Services

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Walla Walla Community College's Proportionate Share of the Net Pension Liability

Schedule of Walla Walla Community College's Share of the Net Pension Liability

Public Employees' Retirement System (PERS) Plan 1

Measurement Date of June 30

	2014	2015
College's proportion of the net pension liability	0.047047%	0.047908%
College proportionate share of the net pension liability	$ 2,370,015	$ 2,506,034
College covered payroll	$ 5,057,376	$ 5,386,887
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.86%	46.52%
Plan's fiduciary net position as a percentage of the total pension liability	61.19%	59.10%

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

Cost Sharing Employer Plans

Schedules of Walla Walla Community College's Proportionate Share of the Net Pension Liability

Schedule of Walla Walla Community College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30		
	2014	**2015**
College's proportion of the net pension liability	0.057918%	0.059767%
College proportionate share of the net pension liability	$ 1,170,732	$ 2,135,509
College covered payroll	$ 4,955,365	$ 5,303,083
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.63%	40.27%
Plan's fiduciary net position as a percentage of the total pension liability	93.29%	89.20%

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

Cost Sharing Employer Plans

Schedules of Walla Walla Community College's Proportionate Share of the Net Pension Liability

Schedule of Walla Walla Community College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30		
	2014	**2015**
College's proportion of the net pension liability	0.009257%	0.009708%
College proportionate share of the net pension liability	$ 273,031	$ 307,563
College covered payroll	$ 338,142	$ 387,476
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	80.7444%	79.3761%
Plan's fiduciary net position as a percentage of the total pension liability	68.77%	65.70%

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

Cost Sharing Employer Plans

Schedules of Walla Walla Community College's Proportionate Share of the Net Pension Liability

Schedule of Walla Walla Community College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30		
	2014	**2015**
College's proportion of the net pension liability	0.006200%	0.006759%
College proportionate share of the net pension liability	$ 20,025	$ 57,033
College covered-employee payroll	$ 266,847	$ 315,420
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	7.5043%	18.0816%
Plan's fiduciary net position as a percentage of the total pension liability	96.81%	92.48%

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

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 208,243	$ 208,243	$ -	$ 5,057,376	4.12%
2015	$ 220,184	$ 220,184	$ -	$ 5,386,887	4.09%
2016	$ 265,060	$ 265,060	$ -	$ 5,522,193	4.80%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Public Employees' 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	$ 244,668	$ 244,668	$ -	$ 4,955,365	4.94%
2015	$ 266,232	$ 266,232	$ -	$ 5,303,083	5.02%
2016	$ 338,137	$ 338,137	$ -	$ 5,468,697	6.18%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

1
Notes: These schedules will be built prospectively until they contain 10 years of data.

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 18,306	$ 18,306	$ -	$ 338,142	5.41%
2015	$ 21,724	$ 21,724	$ -	$ 387,476	5.61%
2016	$ 26,475	$ 26,475	$ -	$ 459,740	5.76%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions

Teachers' Retirement System (TRS) Plan 2/3

Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 15,214	$ 15,214	$ -	$ 266,847	5.70%
2015	$ 17,962	$ 17,962	$ -	$ 315,420	5.69%
2016	$ 31,172	$ 31,172	$ -	$ 385,341	8.09%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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