LOWER COLUMBIA COLLEGE

2016 FINANCIAL REPORT

Lower Columbia College
2016
Financial Report

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You may view the financial report at http://lowercolumbia.edu/disclosure/financial-report.php.

Visit the home page at www.lowercolumbia.edu.

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Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Lower Columbia College

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

Published October 23, 2017

Report No. 1019948

Office of the Washington State Auditor
Pat McCarthy

October 23, 2017

Board of Trustees
Lower Columbia College
Longview, Washington

Report on Financial Statements

Please find attached our report on the Lower Columbia College's financial statements.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Lower Columbia College
Cowlitz County
July 1, 2015 through June 30, 2016

2016-001 The College's internal controls over financial statement preparation were inadequate to ensure complete and accurate reporting.

Background

The College is responsible for designing, following and maintaining internal controls that provide reasonable assurance regarding the reliability of financial reporting. In our previous two audits, our Office reported a finding on internal control over financial reporting. The current audit again identified deficiencies in internal controls that could hinder the College's ability to produce reliable financial statements.

Description of Condition

We identified the following deficiencies in internal control that, when taken together, represent a significant deficiency. Specifically, the College did not have:

- A process to review and implement new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB)
- A review process for its journal entries or other adjustments to the accounting records. In addition, the College did not have process to ensure all adjustments from the prior year had been recorded in the general ledger.
- An adequate review process over its financial reporting to ensure the financial information was accurate, complete and in compliance with generally accepted accounting principles (GAAP)

Cause of Condition

Staff preparing financial statements lacked adequate resources to ensure transactions were appropriately reported under GAAP.

Effect of Condition

The College's financial statements contained significant errors that were not detected by management. We identified the following errors in the original financial statements we received for audit:

- The College did not implement the new GASB 72 accounting standard, which was effective for the audit period.
- The College omitted a liability of $1,224,999 from the Statement of Net Position.
- The notes to the financial statements contained many notable errors, including missing note disclosures, incomplete items and numbers that were not updated.

The College corrected these errors in its final financial statements.

Recommendations

We recommend the College:

- Dedicate the necessary time and resources to ensure the financial statements are accurate and complete and comply with GAAP
- Implement a technical review process for the journal entries and financial statements
- Record all entries in its general ledger
- Establish a process for reviewing and implementing new accounting standards issued by GASB

College's Response

Lower Columbia College (LCC) plans on implementing the recommendations from the above finding. LCC will continue to work on developing additional resources to ensure an appropriate level of review of the financial statements and to ensure new GASB standards are implemented within the statements.

Auditor's Remarks

We appreciate the College's commitment to resolve this finding and thank the College for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Government Auditing Standards, December 2011 Revision, paragraph 4.23

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its codification of Statements on Auditing Standards, section 265

RCW 43.88.160 Fiscal management—Powers and duties of officers and agencies

The Office of Financial Management's *State Administrative and Accounting Manual* (SAAM), Section 20.15.30.a *Who is responsible for internal control;* Section 20.15.40.c *Control Activities;* Section 20.15.40.e *Monitoring*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Lower Columbia College
July 1, 2015 through June 30, 2016

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Lower Columbia College. The State Auditor's Office has reviewed the status as presented by the College.

Audit Period: July 1, 2014 - June 30, 2015	**Report Ref. No:** 1018662	**Finding Ref. No:** 2015-001
Finding Caption: The College should improve internal controls over its financial statement preparation.		
Background: We noted those preparing the statements lacked adequate resources to ensure transactions were appropriately reported under generally accepted accounting principles. Also, we noted that the review performed on the financial statements and notes was not adequate to ensure they were complete and accurate. These deficiencies, when taken together, represent a significant deficiency. As a result of these deficiencies, we noted multiple misstatements and presentation issues on the financial statements. Also, the deficiencies lead to new GASB standards not being adequately implemented within the statements.		
Status of Corrective Action: (check one) ☐ Fully Corrected ☒ Partially Corrected ☐ Not Corrected ☐ Finding is considered no longer valid		
Corrective Action Taken: *Lower Columbia College (LCC) has implemented many of the recommendations from the above finding. LCC Finance Office Staff have participated, and will continue to participate, in various trainings and workshops provided by SBCTC regarding financial statement reporting. LCC will continue to work on developing additional resources to ensure an appropriate level of review and to ensure new GASB standards are adequately implemented within the statements.*		

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

Lower Columbia College
July 1, 2015 through June 30, 2016

Board of Trustees
Lower Columbia College
Longview, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Lower Columbia College, Cowlitz 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, and have issued our report thereon dated September 22, 2017.

Our report includes a reference to other auditors who audited the financial statements of the Lower Columbia College Foundation, as described in our report on the College's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Lower Columbia College Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Lower Columbia College Foundation. The Lower Columbia College Foundation prior year comparative information has been derived from the Foundation's financial statements for the year ended June 30, 2015, on which other auditors issued their report dated December 10, 2015.

The financial statements of the Lower Columbia College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and 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 its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2016-001 that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

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

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

COLLEGE'S RESPONSE TO FINDINGS

The College's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

September 22, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Lower Columbia College
July 1, 2015 through June 30, 2016

Board of Trustees
Lower Columbia College
Longview, 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 Lower Columbia College, Cowlitz 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 as listed on page 15.

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 Lower Columbia College Foundation, which represents 100 percent of the assets, net assets and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lower Columbia College Foundation, is based solely on the report of the other auditors.

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

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Lower Columbia College, as of June 30, 2016, and the changes in financial position and 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 Lower Columbia College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and 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 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

Report on Summarized Comparative Information

The financial statements include summarized prior-year comparative information for the Lower Columbia College Foundation. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2015, from which such partial information was derived. Other auditors have previously audited the Lower Columbia College Foundation's 2015 financial statements and they expressed an unmodified opinion in their report dated December 10, 2015.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 15 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 September 22, 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

State Auditor

Olympia, WA

September 22, 2017

FINANCIAL SECTION

Lower Columbia College
July 1, 2015 through June 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

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College Statement of Revenues, Expenses and Changes in Net Position – 2016
College Statement of Cash Flows – 2016
Foundation Statement of Financial Position – 2016
Foundation Statement of Activities and Changes in Net Position – 2016
Foundation Statement of Cash Flows – 2016
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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Lower Columbia College's Proportionate Share of the Net Pension Liability – PERS 1 – 2016
Schedule of Lower Columbia College's Proportionate Share of the Net Pension Liability – PERS 2/3 – 2016
Schedule of Lower Columbia College's Proportionate Share of the Net Pension Liability – TRS 1 – 2016
Schedule of Lower Columbia College's Proportionate Share of the Net Pension Liability – TRS 2/3 – 2016
Schedule of Contributions – PERS 1 – 2016
Schedule of Contributions – PERS 2/3 – 2016
Schedule of Contributions – TRS 1 – 2016
Schedule of Contributions – TRS 2/3 – 2016

Management's Discussion and Analysis

Lower Columbia College

The following discussion and analysis provides an overview of the financial position and activities of Lower Columbia 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
Lower Columbia 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 6,850 students. The College confers associates degrees, certificates and high school diplomas. The College was established in 1934 and its primary purpose is to ensure each learner's personal and professional success, and influence lives in ways that are local, global, traditional, and innovative. The college's vision is to be a powerful force for improving the quality of life in our community. Our campus community promotes and fosters an environment of integrity, respect, collaboration, cooperation, inclusion, and innovation that fosters personal growth, academic excellence, and accountability.

The College campus is located in Longview, Washington; however, as the lone institution of higher education in the immediate area, it services a regional population of approximately 106,000 residents. The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

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

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

Statement of Net Position

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

Condensed Statement of Net Position As of June 30th	**FY 2016**	**FY 2015**
Assets		
Current Assets	10,605,995	9,462,933
Capital Assets, net	86,131,290	86,106,580
Other Assets, non-current	7,830,364	7,455,127
Total Assets	**$ 104,567,650**	**$ 103,024,639**
Defered Outflows	**$ 1,331,185**	**$ 733,520**
Liabilities		
Current Liabilities	5,184,735	4,611,197
Other Liabilities, non-current	37,107,326	34,001,265
Total Liabilities	**$ 42,292,061**	**$ 38,612,462**
Deferred Inflows	**$ 921,081**	**$ 1,959,375**
Net Position	**$ 62,685,692**	**$ 63,186,322**

Current assets consist primarily of cash and cash equivalents, various accounts receivables and inventories. The significant portion of the decrease of current assets in FY 2016 can be attributed to a decrease in the receivable related to the Certificate of Participation (COP) for construction of the Health and Science Building. As the project continued throughout FY 2016 funds were drawn from the COP, this decrease in receivables is offset by an increase in net capital assets, in the form of Construction in Progress, and then Capitalized at the end of FY 2016. At the beginning of FY 2017 there was still $234,001 remaining as a receivable associated with this COP that is being used to fund some remaining equipment items associated with the project.

Net Capital Assets increased by $24,710 from FY 2015 to FY 2016.

Non-Current Assets presents long term investments. In FY 2016 the college sold five investments in the amount of $1,839,933 and purchased three investments for the amount of $1,828,081. This, along with an increase in fair market value, a few other small transactions within premiums and discounts of investments, accounts for the increase in non-current assets from FY 2015 to FY 2016.

Deferred outflows of resources increased by $597,665. 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.

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

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation debt. Also, contributing to the increase in the College's non-current liabilities is the addition of a new Certificate of Participation (COP) obtained for the Gym Renovation project in the amount of $2,910,000.

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

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

Restricted:

***Expendable* –** resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary expendable funds for the College are student loans and the expendable portion of endowments.

***Unexpendable* –** 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; however, this corpus balance was established directly with the college at the direction of the donors.

***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**
Net Investment in Capital Assets	56,054,040	60,203,114
Restricted		
Expendable	217,350	215,498
Unexpendable	750,935	644,404
Unrestricted	5,663,367	2,123,307
Total Net Position	**$ 62,685,692**	**$ 63,186,322**

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

A condensed statement of revenues, expense and changes in net position for the year ended June 30, 2016 and 2015 is presented below.

Condensed Statement of Revenue, Expenses and Changes in Net Position As of June 30th	**FY 2016**	**FY 2015**
Operating Revenues	$ 23,862,305	$ 24,116,109
Operating Expenses	(44,042,255)	(43,414,297)
Net Operating Loss	**(20,179,950)**	**(19,298,188)**
Non-Operating Revenues and Expenses	16,711,563	16,225,980
Loss Before Other	**(3,468,387)**	**(3,072,208)**
Capital Appropriations and Contributions	2,967,757	4,489,932
Increase (Decrease) in Net Position	**(500,630)**	**1,417,724**
Net Position, Beginning of the Year	63,186,322	61,768,598
Net Position, End of the Year	**$ 62,685,692**	**$ 63,186,322**

Revenues:

Continuing a trend that began midway through fiscal year 2009, the College's state operating appropriations decreased each fiscal year through FY 2013. The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. System-level appropriations hit their height in FY 2009 and as of FY 2013 had been reduced by almost 24%. In FY 2014, the Legislature reinstated a small portion of the previous cuts.

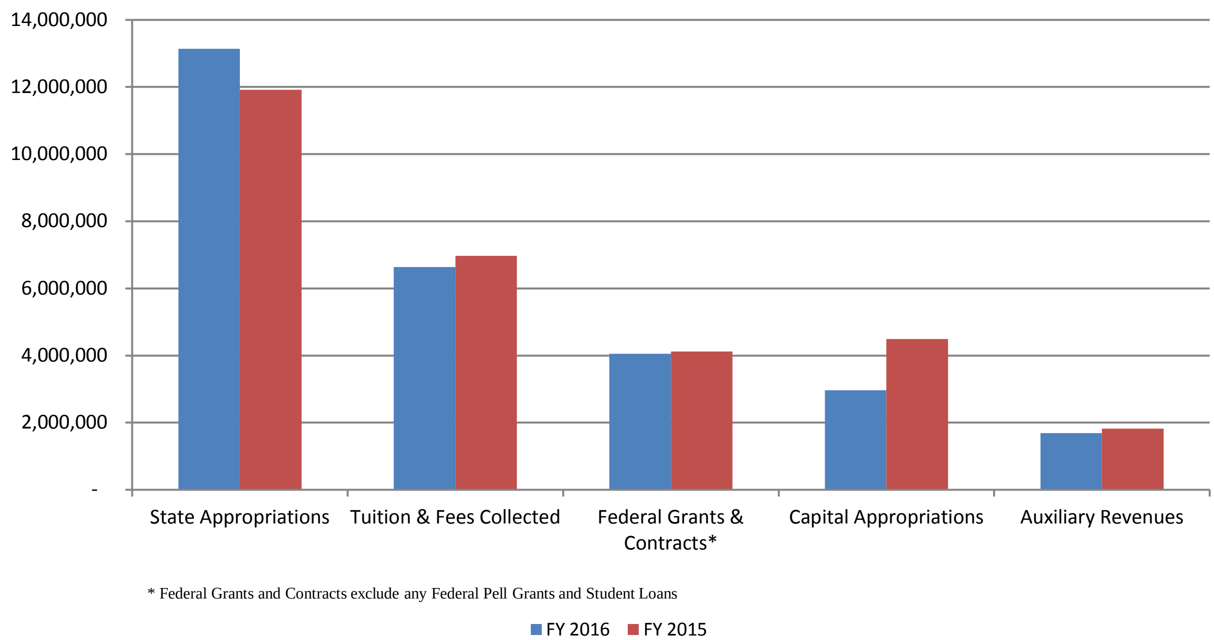
Over this same period, the Legislature and SBCTC instituted increases in tuition rates to partially offset the reduction in state appropriations. The FY 2016 decrease in tuition and fee revenue is primarily attributable to the College's decrease in enrollments and the Legislature enacting the Affordable Education Act, which reduced tuition rates by 5% at the College. This reduced the amount of tuition revenue collected by the College. The Legislature did however backfill a portion of this loss. The College attempted to keep student fees as stable as possible, resulting in only small changes in these revenues.

Pell grant revenues generally follow enrollment trends. As the College's enrollment softened during FY 2016, so did the College's Pell Grant revenue.

In FY 2016, grant and contract revenues increased by $208,283 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 students who earn both high school and college credit for these courses. The College also contracts with these same high schools to enroll Career Education Opportunities (CEO) students, which allows students to take courses from the College to complete their high school diploma.

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

Selected Elements of Revenue



<u>Expenses:</u>

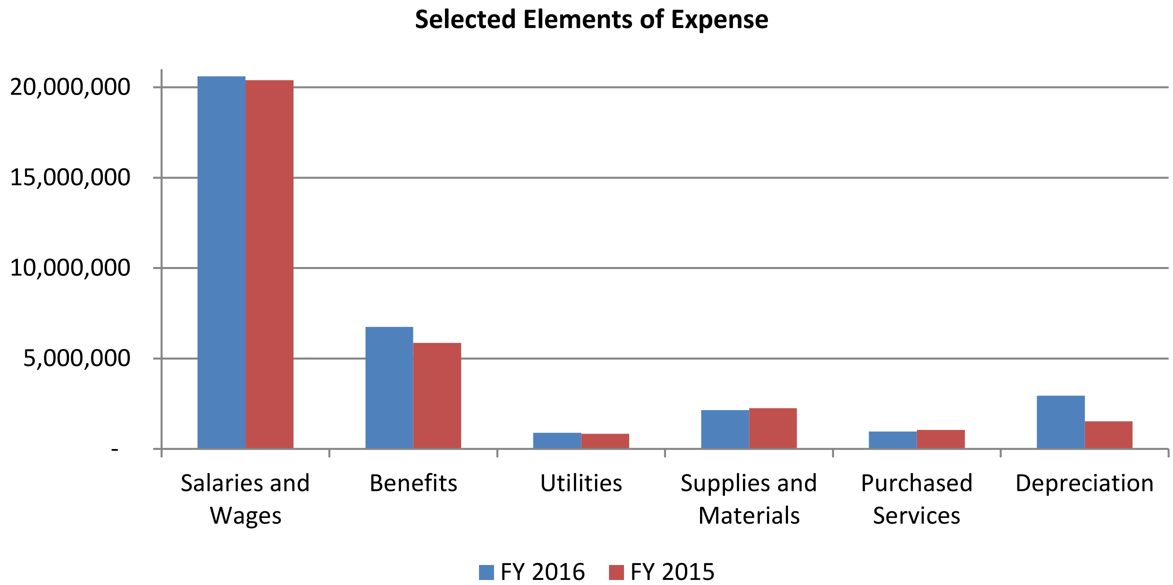
During the Great Recession of 2008 the College saw significant reductions to their state appropriations and that trend has continued throughout the last seven years. Although the College saw a slight increase in FY 2016 much of that increase was provided to the College as earmarked funds or given as a proviso by the State Legislature. The College's state appropriations have yet to return back to the level they were at before the reductions initially took place. The College has continuously sought opportunities to identify savings and efficiencies. Over time, the College has decreased spending and services and was subject to various state spending freezes and employee salary reductions.

More recently, in FY 2016, salary and benefit costs increased as result of Cost of Living Adjustment (COLA) approved by the state. Benefits increased at a significantly higher rate than salaries. This was due to an increased cost for healthcare benefits in the amount of $178 per month for each eligible employee.

Utility costs have also increased as a result of rate increases for electricity, natural gas, and water. Supplies and materials and purchased services are lower in FY 2016, primarily as a result of our efforts to realize the savings and efficiencies mentioned above. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service. In FY 2016 the Health and Science Building as well as the College's Fitness Center Improvements were both moved out of Work in Progress and capitalized.

Comparison of Selected Operating Expenses by Function

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



Capital Assets and Long-Term Debt Activities

The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed. In addition, the College has one of four community college projects that were funded through a Certificate of Participation (COP) against which system–wide building fee monies were pledged.

At June 30, 2016, the College had invested $ 86,131,290 in capital assets, net of accumulated depreciation. This represents an increase of $24,710 from last year, as shown in the table below.

Asset Type	June 30, 2016	June 30, 2015	Change
Land	$ 5,846,698	$ 5,846,698	$ -
Construction in Progress	1,335,291	44,655,110	(43,319,819)
Buildings, net	75,172,687	33,488,537	41,684,150
Other Improvements and Infrastructure, net	2,043,994	606,652	1,437,342
Equipment, net	1,679,339	1,458,920	220,419
Library Resources, net	53,281	50,663	2,618
Total Capital Assets, Net	**$ 86,131,290**	**$ 86,106,580**	**$ 24,710**

At June 30, 2016, the College had $ 30,240,000 in outstanding debt, all of this in the form of two Certificate of Participation issued by the State Treasurers Office. The first COPs was issued in December, 2012 in lieu of a Capital Appropriation for the construction of the Health & Science building. The second COP was issued September, 2015 for the remodel of the College Fitness Center building.

Debt, Short and Long-Term	June 30, 2016	June 30, 2015
Certificates of Participation	$ 30,240,000	$ 28,445,000
Total	**$ 30,240,000**	**$ 28,445,000**

Additional information of notes payable, long term debt, and debt service schedules can be found in Notes 13 and 14 of the Notes to the Financial Statements.

Economic Factors That Will Affect the Future

Following a trend that began in FY 2009, the College's state operating appropriations continued to decrease through FY 2016. Beginning FY 2016, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. This will further reduce the amount of tuition collected by the College. The Legislature did however backfill a portion this loss. In FY 2017, the State Board for Community and Technical College's implemented a new allocation model, changing how the state allocated funds are distributed to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Although the College continues to see a decrease in enrollment, when comparing enrollment to the other Colleges in the system, we anticipate a small increase in state operating appropriations in the next few fiscal years.

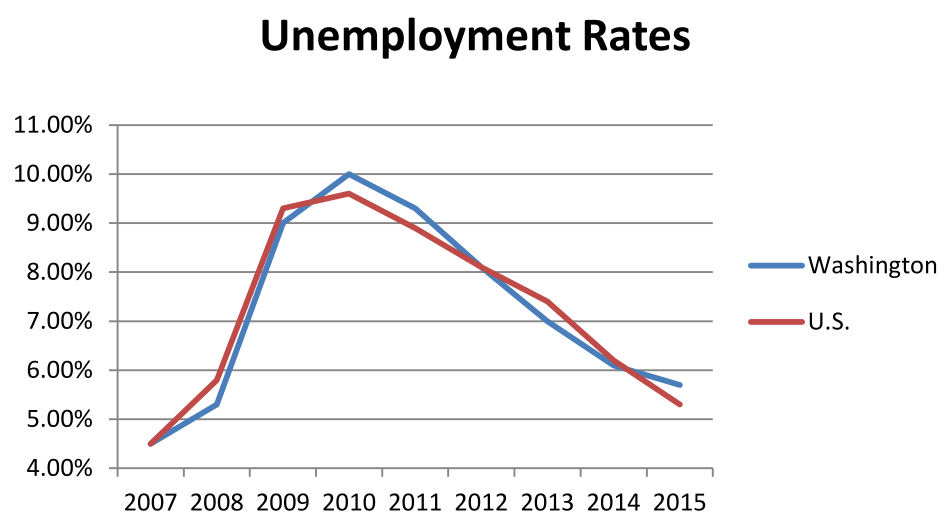
It's unclear how much opportunity there may be for additional investments in community and technical colleges in the next few years, as state budget writers continue to grapple with court-mandated basic education obligations such as the McCleary Act.

Washington's Economic and Revenue Forecast Council prepares independent forecasts quarterly throughout the year. In a forecast dated June 15, 2016, the Council observed that factors inside and outside the state accounted for a high level of risk to the forecast. Specifically, a slowing global economy, the negative impact of a stronger dollar on exports, weaker manufacturing activity and volatile stock markets all remained major threats to both the U.S. and Washington economies in 2016. Lower unemployment rates, rising wages and a stronger housing market suggested potential upside risks to the forecast. The June 2016 forecast assumed an annual (rather than biannual) increase in interest rates from the Federal Reserve.

During the first half of 2016, job growth was stronger in Washington than the previous year, while job growth overall in the U.S. was weaker. Other factors impacting the Washington forecast included strong sales of large commercial properties, rising home prices, increases in housing permits, and higher inflation resulting in stronger retail sales, B&O and property tax growth. Higher oil and gas prices resulted in increased receipts from refineries and gas stations.

Finally, slightly lower personal income growth for Washington was predicted to cause a reduction in consumer spending.

A hallmark of community colleges is the flexibility to quickly respond to the needs of the community, resulting in a pattern of high enrollment during economic downturns, punctuated by lower enrollment when the job market is strong. This pattern is particularly notable in the Washington's rural counties, including Cowlitz and Wahkiakum (which comprise the service district for Lower Columbia College). For LCC specifically, the unemployment rate is the strongest single statistical predictor of enrollment change. Because economic recovery from the 2008 recession lagged the state in both Cowlitz and Wahkiakum Counties, enrollment at LCC stayed higher relatively than the rest of the system in 2016. Moderate declines in enrollment, related to falling unemployment rates, were expected in 2016 and possibly 2017 as well before eventual stabilization.



Statement of Net Position

Lower Columbia College
For Year Ending June 30, 2016

ASSETS	**2016**
Current assets	
Cash and cash equivalents	7,257,323
Restricted Cash (RCW 28 B.15.820)	400,782
Accounts Receivable, net	2,305,079
Restricted Investments for COP Proceeds	234,001
Interest Receivable	137
Inventories	359,051
Prepaid Expenses	49,623
Total current assets	10,605,995
Non-Current Assets	
Long-term investments	7,830,364
Depreciable Capital assets, net of depreciation	78,949,301
Non-Depreciable Capital assets	7,181,989
Total non-current assets	93,961,654
Total assets	**104,567,650**
Deferred Outflows of Resources (Note 6)	1,331,185
LIABILITIES	
Current Liabilities	
Accounts Payable	659,788
Accrued Liabilities	2,854,412
Compensated absences	27
Deposits Payable	7,073
Unearned Revenue	438,435
Certificates of Participation Payable	1,225,000
Total current liabilities	5,184,735
Noncurrent Liabilities	
Compensated Absences	2,075,091
Pension Liability	6,017,235
Certificates of Participation Payable	29,015,000
Total non-current liabilities	37,107,326
Total liabilities	**42,292,061**
Deferred Inflows of Resources (Note 6)	921,081
NET POSITION	
Net Investment in Capital Assets	56,054,040
Restricted for:	
Expendable	217,350
Unexpendable	750,935
Unrestricted	5,663,367
Total Net Position	**62,685,692**

The accompanying notes are an integral part of these financial statements.

College Statement of Revenues, Expenses and Changes in Net Position

Lower Columbia College
For year Ending June 30, 2016

	2016
Operating Revenues	
Student tuition and fees, net	6,633,735
Auxiliary enterprise sales	1,691,555
State and local grants and contracts	11,160,800
Federal grants and contracts	4,048,574
Other operating revenues	327,641
Total operating revenue	23,862,306
Operating Expenses	
General Administrative	3,320,456
Salaries and wages	20,607,723
Benefits	6,742,183
Scholarships and fellowships, net	6,427,579
Supplies and materials	2,145,332
Depreciation	2,938,846
Purchased services	966,075
Utilities	894,062
Total operating expenses	44,042,255
Operating income (loss)	**(20,179,950)**
Non-Operating Revenues (Expenses)	
State appropriations	13,135,693
Federal Pell grant revenue	5,315,663
Investment income, gains and losses	511,871
Building Fee Remittance	(686,921)
Innovation Fund Remittance	(186,004)
Interest on indebtedness	(1,378,739)
Total non-operating revenues (Expenses)	**16,711,563**
Income before capital contributions	(3,468,387)
Capital Revenues	
Capital appropriations	2,967,757
Increase (Decrease) in net position	(500,630)
Net Position	
Net Position, beginning of year	63,186,322
Net Position, end of year	**$ 62,685,692**

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

Lower Columbia College
For year ending June 30, 2016

	June 30, 2016
Cash flow from operating activities	
Student tuition and fees	6,438,003
Grants and contracts	14,564,667
Payments to vendors	(3,482,117)
Payments for utilities	(1,051,699)
Payments to employees	(20,655,277)
Payments for benefits	(6,860,344)
Auxiliary enterprise sales	1,690,982
Payments for scholarships and fellowships	(6,427,579)
Other receipts	288,549
Other payments	(3,350,552)
Net cash used by operating activities	(18,845,366)
Cash flow from noncapital financing activities	
State appropriations	14,074,518
Pell grants	5,315,663
Building fee remittance	(522,257)
Innovation fund remittance	(188,763)
Net cash provided by noncapital financing activities	18,679,161
Cash flow from capital and related financing activities	
Capital appropriations	$ 5,450,040
Purchases of capital assets	(2,963,592)
Certificate of participations proceeds	5,217,533
Principal paid on capital debt	(1,115,000)
Interest paid	(1,378,739)
Proceeds of Capital Debt	2,695
Net cash used by capital and related financing activities	5,212,937
Cash flow from investing activities	
Proceeds from sales and maturities of investments	(375,238)
Income of investments	509,176
Net cash provided by investing activities	133,939
Increase (Decrease) in cash and cash equivalents	5,180,670
Cash and cash equivalents at the beginning of the year	2,477,434
Cash and cash equivalents at the end of the year	**$ 7,658,104**

Statement of Cash Flows, continued

Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(20,179,950)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	2,938,846
Changes in assets and liabilities	
Receivables , net	(824,696)
Inventories	90,412
Other assets	(29,737)
Accounts payable	(706,327)
Accrued liabilities	138,836
Deferred revenue	(55,408)
Compensated absences	(91,228)
Pension Liability Adjustment Expense	(125,756)
Deposits payable	(358)
Net cash used by operating activities	(18,845,366)

The accompanying notes are an integral part of these financial statements.

Foundation Statement of Financial Position

Lower Columbia College Foundation
For the Year Ended June 30, 2016

	2016	2015
ASSETS		
Cash and cash equivalents	$ 1,293,026	$ 660,978
Marketable securities	12,329,076	13,555,286
Pledges receivable	85,727	100,280
Prepaid expenses	941	1,193
Fixtures and equipment	22,900	24,500
Land held for sale	260,900	-
	$ 13,992,570	$ 14,342,237

Liabilities and Net Assets

	2016	2015
LIABILITIES		
Accrued expenses	$ 57,388	$ 42,233
Amounts held in trust for Lower Columbia College	77,558	69,109
Annuity payment liability	2,843	3,484
	137,789	114,826
NET ASSETS		
Unrestricted	3,000,148	2,922,303
Temporarily restricted	3,082,381	3,797,974
Permanently restricted	7,772,252	7,507,134
	13,854,781	14,227,411
	$ 13,992,570	$ 14,342,237

Foundation Statement of Activities and Changes in Net Position

Lower Columbia College Foundation
For the Year Ended June 30, 2016

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Combined Total 2016	Combined Total 2015
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	$ 649,796	$ 339,696	$ 255,562	$ 1,245,054	$ 850,035
Investment earnings (losses)	(47,565)	(112,310)	65	(159,810)	(28,633)
Other revenues and gains	(278)	2,423	-	2,145	3,540
In-kind contributions	18,000	-	-	18,000	18,000
Impairment of land value	(142,189)	-	-	(142,189)	-
Reclassifications of net assets					
Satisfaction of program restrictions	771,600	(771,600)	-	-	-
Interfund transfer	164,311	(173,802)	9,491	-	-
Total revenues, gains and other support	1,413,675	(715,593)	265,118	963,200	842,942
EXPENSES					
Program services	977,158	-	-	977,158	1,090,864
General and administrative expenses	233,409	-	-	233,409	204,438
Fund raising expenses	125,263	-	-	125,263	170,426
Total expenses	1,335,830	-	-	1,335,830	1,465,728
CHANGE IN NET ASSETS	77,845	(715,593)	265,118	(372,630)	(622,786)
NET ASSETS, beginning of year	2,922,303	3,797,974	7,507,134	14,227,411	14,850,197
NET ASSETS, end of year	$ 3,000,148	$ 3,082,381	$ 7,772,252	$ 13,854,781	$ 14,227,411

Foundation Statement of Cash Flows

Lower Columbia College Foundation
For the year ending June 30, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (372,630)	$ (622,786)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,100	1,150
Investment gains	97,112	(30,311)
Loss on sale of assets	53,084	2,800
In-kind contributions received	(512,500)	(12,500)
Restricted contributions to endowment	(265,118)	-
Impairment of land value	142,189	-
Donated securities received	(47,226)	(26,025)
(Increase) decrease in assets:		
Pledges receivable	14,553	(14,370)
Prepaid expenses	252	(447)
Increase (decrease) in liabilities:		
Accrued expenses	15,155	(20,742)
Amounts held in trust for Lower Columbia College	8,449	7,739
Charitable gift annuity payable	(641)	(182)
Net cash used by operating activities	(865,221)	(715,674)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of land	63,916	-
Improvement to land held for sale	(8,089)	-
Additions to investment accounts	(825,666)	(7,769,581)
Withdrawals from investment accounts	2,001,990	8,627,901
Net cash provided by investing activities	1,232,151	858,320
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long term purposes	265,118	-
Net cash provided by financing activities	265,118	-
NET INCREASE IN CASH	632,048	142,646
CASH, beginning of year	660,978	518,332
CASH, end of year	$ 1,293,026	$ 660,978

Notes to the Financial Statements

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

1. <u>Summary of Significant Accounting Policies</u>

Financial Reporting Entity

Lower Columbia 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 Lower Columbia College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1976 and recognized as a tax exempt 501(c)(3) charity. The Foundation is dedicated to providing a conduit for private support of the College through scholarship endowments, program grants, and similar types of support. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the college or its students, the Foundation is considered a discrete component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2016, the Foundation distributed approximately $997,158 to the College for restricted and unrestricted purposes, which includes student scholarships in the amount of $282,175, program support in the amount of $472,740, grants in the amount of $88,654 and other purposes in the amount of $133,589. The College provides 1,140 square feet of rent-free office space to the Foundation valued at $13,680. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 1600 Maple St., Longview, WA.

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.

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

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets. The LGIP portfolio is invested in a manner that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that wish to measure all of its investments at amortized costs. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP. The College can contribute or withdraw funds in any amount from the LGIP on a daily basis. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The College adjusts its LGIP investment amounts monthly to reflect interest earnings as reported from the Office of the State Treasurer.

Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. Endowment investments are classified as noncurrent assets. The College records all cash, cash equivalents, and investments fair value, with the exception of the portion invested in the LGIP, which is recorded at amortized cost.

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. Where applicable, accounts receivable includes proceeds from Certificates of Participation that have not yet been received from the State Treasurer. The college considers all accounts aging 12 months or more as uncollectible. Accounts receivable are shown net of estimated uncollectible amounts.

Inventories

Inventories, consisting primarily of merchandise for resale in the college bookstore and course-related supplies, are valued at cost using the FIFO method.

Capital Assets

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. 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 life of the asset as defined by the State of Washington’s Office of Financial Management. Useful lives generally range from 20 to 50 years for buildings and improvements, 15 to 50 years for other improvements and infrastructure, 7 years for library resources, 2 to 10 years for most equipment, and 11 to 40 years for heavy duty equipment.

In accordance with GASB Statement 42, 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 are 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 for Nonexpendable. This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principle.

Restricted for Expendable. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties. The expendable balance for the College is funds held for student loans and Institutional financial aid funds per RCW 28B.15.820.

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 revenues according to the following criteria:

Operating Revenues. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts which includes Running Start revenue and various grants for funding student tuition and operations.

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 $ 2,837,154.

State Appropriations

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

Building and Innovation Fee Remittance

Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

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. Investments are recorded at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the statement of activities and investment portfolio on the balance sheet. The LGIP is managed by the Office of the State Treasurer and prepares its own financial report that meets GASB standards. In addition to funds held in the LGIP, the college also has investmetns held by US Bank.

See note 2 for the impact of adoption

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.

2. Cash and Investments

Cash and cash equivalents include both bank demand deposits and petty cash held at the College. Currently, all restricted investments for COP proceeds are held in the Washington State Treasurer's Local Government Investment Pool (LGIP). The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17 CFR 270.2a-7). The LGIP measures its investments at amortized cost in accordance with guidance set forth by GASB, as amended by Statements No. 72 and No. 79, and the investments are limited to high quality obligations with limited and average maturities, which minimizes both credit and market risks. As of June 30, 2016 COP restricted proceeds held in the Washington State LGIP were $234,001. The LGIP has a minimum transaction size, deposit or withdraw, of $5,000, and while there is not currently a maximum transaction size, the LGIP does request pool participants to provide them with at least a one day prior notice for deposits or withdrawals of $10 million or more. The LGIP participants are limited to one transaction per day. The State Treasurer will require reimbursement for the administration and recovery of costs associated with the operation of the Local Government Investment Pool. The administrative fee accrues daily from pool participants' earnings prior to the earnings being posted to their account. The administrative fee will be paid monthly. In the event that there are no earnings, the administrative fee will be deducted from principal.

As of June 30, 2016, the table below shows the College's cash and equivalents of $ 7,658,104, $400,782 of which is presented on the Statement of net position as restricted in accordance with RCW 28 B.15.820.

Cash and Cash Equivalents		**June 30, 2016**
Petty Cash and Change Funds	$	11,820
LGIP	$	234,001
Bank Demand and Time Deposits		7,412,283
Total Cash and Cash Equivalents	**$**	**7,658,104**

The investment portfolio consists of 20 individual issues of US Government and Municipal Bonds, diversified by type, locale, and maturity date which are held by custodian U.S. Bank N.A. Treasury Division. There are several factors that affect the value of investments. GASB Statement No. 40 requires disclosure of College investments, through its investment policy, on how the College manages its exposure to risks, such as custodial credit risk, concentration (and quality) of credit risk, and interest rate risk.

A financial instruments level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include equity securities and other publicly traded securities.

Level 2 – Quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly, are classified as Level 2. Level 2 investments include fixed or variable-income securities, commingled funds, certain derivatives and other assets that are valued using market information.

Level 3 – Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment. Level 3 investments include private equity investments, real estate and split interest agreements.

The following table summarize the investments reported at fair value within the fair value hierarchy as of June 30, 2016:

Fixed or Variable Income Securities	Total	Level 1	Level 2	Level 3
US Govt and Municipal sponsored enterprises	$7,830,364		$7,830,364	

Bond maturities, not factoring in any call provision they may contain, mature over as follows:

Investment Maturities	**Market Value**	**2016-2020**	**2021-2025**	**2026-2030**	**2031-2034**
Municipal Bonds	$ 7,830,364	$ 2,263,395	$ 2,686,024	$ 1,097,092	$ 1,783,853
Total Investments	**$7,830,364**	**$2,263,395**	**$2,686,024**	**$1,097,092**	**$1,783,853**

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 College's demand deposits are held by Bank of America. 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).

Interest Rate Risk—Investments

The College manages its exposure to fair value losses resulting from changes in interest rates by structuring the entire portfolio time horizon. Unless matched to a specific cash flow, the college generally will not directly invest in securities maturing more than fifteen years from the date of purchase. The College manages its exposure to interest rate risk by limiting the duration of investment and structuring the maturity of investments to mature at various points in the year. The goal of the overall portfolio is to balance cash flow requirements, safety, liquidity, and yield.

Concentration of Credit Risk—Investments

State law limits College operating investments to the highest quality sectors of the domestic fixed income market and specifically excludes corporate stocks, corporate and foreign bonds, futures contracts, commodities, real estate, limited partnerships and negotiable certificates of deposit. College policy does not limit the amount the College may invest in any one issuer. College investments are in US Government bonds and Municipal bonds, which have zero to low risk of default because of the capability of local and state governments to increase taxes to cover their debts. All Municipal Bonds held are rated on the Moody's and/or S&P ratings scale of A1 and/or A or higher.

Endowment assets, totaling $ 451,537 are also included in the total amount held for the benefit of Lower Columbia College, which are exposed to concentration of credit risk. See the accompanying schedule of investments subject to concentration of credit risk.

Investments Exposed to Concentration of Credit Risk	Maturity Date	Market Value
Federal Farm Credit Bank	02/22/19	$ 1,100,314.60
Federal Home Loan MTG Corp	08/01/19	$ 222,434.52
Port Anacortes WA GO LTD A1 Moody	09/01/19	$ 430,448.00
Mason Co. WA Pub Hosp DSY #001 GO, BLD AM A S&P	12/01/19	$ 510,197.50
Grant County WA PUD#2 Revenue - Priest Rapids Hydro AA Moody	01/01/20	$ 515,690.00
Burien WA GO LTD, BLD AM 121265CS9 A1 Moody	12/01/20	$ 113,923.95
Mason Co. WA Pub Hosp DSY #001 GO, BLD AM A S&P	12/01/20	$ 540,835.00
Lewis Co. WA Pub Fac Dist Sls Tax Rev, BLD AM A1 Moody	12/01/20	$ 235,571.20
Centralia, WA Elec Revenue A+ S&P	12/01/20	$ 439,012.00
Multnomah County OR GO LTD AA1 Moody	12/01/21	$ 216,766.00
Longview, WA GO LTD Quality Energy Consrv A1 Moody	12/01/21	$ 119,641.40
Pasco WA Wtr & Swr Rev Bond US#702571MB3 callable 5/19 AAAe S&P	05/01/24	$ 133,255.20
Port of Vancouver GO Ref AA3 Moody	12/01/24	$ 53,047.00
Port of Vancouver GO Ref AA3 Moody	12/01/24	$ 318,282.00
Burien WA GO LTD, BLD AM 121265CT7 A1 Moody	12/01/25	$ 537,915.00
Georgia St GO UNLTD TXBL SERIES E Aaa Moody	02/01/29	$ 237,645.95
El Paso TX GO LTD TXBL airport CTFD AA S&P	08/15/29	$ 321,531.30
Federal Farm Credit Bank	06/20/31	$ 546,117.50
Santa Ana CA UNIF SD GO UNLTD ELECT 1999 SR B ZERO COUP A3 Moody	08/01/31	$ 758,619.75
North Monterey CNTY CA GO UNTD UNION SD ELECT SER A+ S&P	05/01/34	$ 479,116.00
Total Investments Exposed to Custodial Risk		**$ 7,830,364**

Custodial Credit Risk—Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2016, short and long term investments totaling $7,830,364 are held by U.S. Bank N.A., Treasury Division as custodial agent for the benefit of the College. All of the College’s securities are registered in the College’s name by the custodial bank. Investment securities are NOT FDIC insured, are not deposits of, obligations of or guaranteed by US Bank and ma involve investment risk, including possible loss of principal amount invested.

Lower Columbia College’s Investments Policy 532 states that LCC shall invest funds in a manner which provides maximum security with the highest investment return, while meeting the daily cash flow demands of the College and conforming to all state laws governing the investment of public funds.

The Chief Financial Officer shall invest district funds and is responsible for the investment program. The Chief Financial Officer will take necessary actions to ensure the prudent investment of district funds. The Chief Financial Officer shall provide consistent periodic reporting to the President.

Investment Expenses

Under implementation of GASB 35, investment income for the College is shown net of investment expenses.

3. Accounts Receivable

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

Accounts Receivable	**FY16**
Student Tuition and Fees	1,201,524
Due from the Federal Government	1,103,742
Due from Other State Agencies	$ 886,540
Auxilary Enterprises	14,218
Interest Receivable	137
Other	93,059
Subtotal	3,299,220
Less Allowance for Uncollectible Accounts*	(994,004)
Accounts Receivable, net	**$ 2,305,216**

Note: *The majority of the allowance for uncollectible accounts is associated with Title IV Repayments.

4. Inventories

Inventories, stated at cost using FIFO method, consisted of the following as of June 30, 2016.

Inventories	**FY16**
Book Store Merchandise	$ 359,051
Inventories	**$ 359,051**

During FY 2016 management made the decision to no longer carry an inventory in food service or auto parts as the value of the inventory currently being carried was well below the $50,000 threshold in SAM 35.10.40.

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2016 is presented as follows. The current year depreciation expense was $ 2,938,846.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements / Adjustments	Ending Balance
Nondepreciable capital assets				
Land	$5,846,698	$0		$5,846,698
Construction in progress	$44,655,110	($43,327,759)	7940.29	$1,335,291
Total nondepreciable capital assets	**$50,501,808**	**($43,327,759)**	**$7,940**	**$7,181,989**
Depreciable capital assets				
Buildings	$55,184,933	$43,872,817	$182,030	$99,239,780
Other improvements and infrastructure	$2,716,295	$1,541,862	$3	$4,258,160
Equipment	$6,183,507	10,095.84	(680,131.84)	$5,513,471
Library resources	$1,600,352	$14,263	$2	$1,614,617
Subtotal depreciable capital assets	**$65,685,087**	**$45,439,038**	**($498,097)**	**$110,626,028**
Less accumulated depreciation				
Buildings	$21,696,396	$2,406,482	(35,785.00)	$24,067,093
Other improvements and infrastructure	$2,109,643	$104,519	4.02	$2,214,166
Equipment	$4,724,587	$416,206	(1,306,661.05)	$3,834,132
Library resources	$1,549,690	$11,639	7.50	$1,561,336
Total accumulated depreciation	**$30,080,315**	**$2,938,846**	**(1,342,434.53)**	**$31,676,727**
Total depreciable capital assets	**$35,604,772**	**$42,500,192**	**$844,338**	**$78,949,301**
Capital assets, net of accumulated depreciation	**$86,106,580**	**($827,568)**	**$852,278**	**$86,131,290**

6. Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

7. Accrued Liabilities

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

Accrued Liabilities	Amount	
Amounts Owed to Employees	$	995,085
Amounts Held for Others and Retainage		1,859,327
Total	**$**	**2,854,412**

8. Unearned Revenue

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

Unearned Revenue	Amount	
Summer Quarter Tuition & Fees	$	386,444
Auxilary Enterprises		50,967
Grants & Contracts		1,025
Total Unearned Revenue	$	438,436

9. Risk Management

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2015 through June 30, 2016, were $39,360. Cash Reserves for unemployment compensation for all employees as June 30, 2016, were $125,000.

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. In addition, the College purchases insurance from the Washington State Department of Enterprise Services. These policies cover such areas as property, buildings, athletics and medical malpractice liabilities.

10. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Upon retirement or death, employees receive 25% of the value of their accumulated sick leave credited to a Voluntary Employee's 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 of the total balance on the payroll records. The accrued vacation leave totaled $1,075,814, accrued sick leave totaled $999,277, and the accrued compensatory leave totaled $27 at June 30, 2016.

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

11. Notes Payable

In December 2012, the College obtained financing in order to fund the construction of the Health & Science Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $ 31,550,000. The interest rate charged is 3.10% for a term of twenty years.

In December of 2015, the college obtained financing in order to fund the renovation of the College's Fitness Center certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $ 2,910,000. The interest rate charged is 3.42129% for a term of twenty years. The Fitness Center COP will be paid for by student fees as approved by the ASLCC.

12. Annual Debt Services Requirements

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

Annual Debt Service Requirements			
Certificates of Participation			
Fiscal year	**Principal**	**Interest**	**Total**
2017	1,225,000	1,359,956	2,584,956
2018	1,315,000	1,303,631	2,618,631
2019	1,380,000	1,243,831	2,623,831
2020-2024	8,045,000	5,110,553	13,155,553
2025-2029	10,250,000	2,930,284	13,180,284
2030-2032	8,025,000	717,266	8,742,266
Total	**$ 30,240,000**	**$ 12,665,522**	**$ 42,905,522**

13. Schedule of Long Term Debt

	Balance outstanding 6/30/15	Additions	Reductions	Balance outstanding 6/30/16	Current portion
Certificates of Participation	**$ 28,445,000**	**$2,910,000**	**$1,115,000**	**$ 30,240,000**	**$1,225,000**
Compensated Absences	**$ 2,166,346**		**$ 91,228**	**$ 2,075,118**	**$ 27**
Net Pension Obligation	**$ 4,507,032**	**$3,070,833**	**$1,560,628**	**$ 6,017,235**	**$ -**

14. Pension Liability

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

Pension Liability by Plan	
PERS 1	$ 3,059,048
PERS 2/3	2,667,824
TRS 1	226,522
TRS 2/3	63,842
Total	**$ 6,017,235**

15. Pension Plans

Summary

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 FY2015-16, the payroll for the College's employees was $7,119,052 for PERS, $418,245 for TRS, and $10,333,039 for SBRP. Total covered payroll was $20,709,504.

Lower Columbia 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 Lower Columbia College, for reported year June 30, 2016:

Aggregate Pension Amounts - All Plans

Pension liabilities	$ 6,017,235
Deferred outflows of resources related to pensions	1,331,185
Deferred inflows of resources related to pensions	(921,081)
Pension expense/expenditures	707,905

Department of Retirement Systems
As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement System (DRS) administers eight retirement systems covering eligible employees of the state and local government. The Governor appoints the director of the DRS.

The DRS administered systems that Lower Columbia College offers its employees are comprised of four defined benefit pension plans and two defined benefit/defined contribution plans. Below are the DRS plans that the College offers its employees:

Public Employees' Retirement System (PERS)
- Plan 1 – defined benefit
- Plan 2 – defined benefit
- Plan 3 – defined benefit/defined contribution

Teachers' Retirement System (TRS)
- Plan 1 – defined benefit
- Plan 2 – defined benefit
- Plan 3 – defined benefit/defined contribution

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS and TRS systems and plans was funded by an employer rate of 0.18 percent of employee salaries.

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the Governmental Accounting Standards Board. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at http://www.drs.wa.gov/administration/annualreport/.

Higher Education. As established in chapter 28B.10. RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined ed benefit component (on a pay as you go basis) which is administered by the state.

Retirement Plans
PERS
Plan Description. The Legislature established the PERS Plan in 1947. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases to eligible nonacademic plan members hired prior to October 1, 1977. Entrance to PERS Plan 1 is closed to new employees. 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 ten years of eligible service.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Benefits Provided. PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service. This is reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months. PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months. Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS Plan 3 members have the option to retire early with reduced benefits. PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

TRS

Plan Description. The Legislature established the TRS Plan in 1938. TRS Plans 1 and 2 are defined benefit plans. TRS Plan 1 was closed to new entrants on September 30, 1977. Employees currently have a choice of entering TRS Plan 2 or 3. TRS Plan 2 and 3 provide retirement benefits to certain eligible faculty hired on or after October 1, 1977. TRS Plan 3 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. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Benefits Provided. TRS plans provide retirement, disability, and death benefits to eligible members.

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 2 retirement benefits are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. TRS Plan 2 members have the option to retire early with reduced benefits. The AFC is the average of the member's 60 highest paid consecutive months.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan. TRS Plan 3 members have the option to retire early with reduced benefits. TRS members meeting specific eligibility requirements, have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

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. 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.

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.

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

Contribution Rates at June 30						
	FY2014		**FY2015**		**FY2016**	
	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 3	5-15%	10.39%	5-15%	10.39%	5-15%	13.13%

Required Contributions						
	FY2014		FY2015		FY2016	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$ 5,559.12	$ 8,458.95	$ 2,102.40	$ 3,227.28	$ 2,163.12	$ 4,001.92
Plan 2	$ 198,628.92	$ 369,693.68	$ 219,436.70	$ 410,777.08	$ 280,462.46	$ 512,759.16
Plan 3	$ 126,954.02	$ 182,890.22	$ 140,645.05	$ 199,357.51	$ 156,299.30	$ 270,361.66
TRS						
Plan 1	$ -	$ -	$ -	$ -		
Plan 2	$ -	$ -	$ -	$ -	$ 328.77	$ 725.44
Plan 3	$ 18,938.24	$ 30,820.81	$ 22,513.38	$ 36,744.46	$ 26,810.33	$ 52,550.03

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, 2014, 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	$ 182,314	$ 316,150	$ 11,431	$ 18,137	$ 528,032
FY16 Amortization of change in proportionate liability	94,987	59,491	20,869	4,526	179,873
Total Pension Expense	**$ 277,301**	**$375,641**	**$32,300**	**$22,663**	**$ 707,905**

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:

Plan Name	2014	2015	Change
PERS 1	.056804%	.058480%	.001676
PER 2/3	.070723%	.074665%	.003942
TRS 1	.006548%	.007150%	.000602
TRS 2/3	.007061%	.007566%	.000505

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

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

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

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

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

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

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

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

Pension Plan	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS Plan 1	3,724,398.80	3,059,047.86	2,486,907.03
PERS Plan 2/3	7,800,852.86	2,667,823.01	(1,262,345.48)
TRS Plan 1	284,753.83	226,522.15	176,447.77
TRS Plan 2/3	270,123.53	63,842.06	(89,510.77)

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	$ -	$ -	$ 283,590	$ -
Difference between expected and actual earnings of pension plan investments	$ -	$ 167,363	$ -	$ 712,182
Changes of Assumptions	$ -	$ -	$ 4,299	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ 182,303	
Contributions to pension plans after measurement date	$ 355,295	$ -	$ 425,730	$ -
	$ 355,295	**$ 167,363**	**$ 895,922**	**$ 712,182**

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 10,106	$ -
Difference between expected and actual earnings of pension plan investments	$ -	$ 16,766	$ -	$ 24,769
Changes of Assumptions	$ -	$ -	$ 55	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ 17,171	
Contributions to pension plans after measurement date	$ 26,001	$ -	$ 26,634	$ -
	$ 26,001	**$ 16,766**	**$ 53,967**	**$ 24,769**

The $1,331,185 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	(64,864)	(153,114)	(6,503)	(3,324)
2018	(64,864)	(153,114)	(6,503)	(3,324)
2019	(64,864)	(164,207)	(6,503)	(3,324)
2020	27,229	202,271	2,742	9,276
2021	-	26,172	-	2,336
2022	-	-	-	924
Total	**(167,363)**	**(241,991)**	**(16,766)**	**(2,564)**

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 $ 856,177.

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 system in the amount of $766,692. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2016, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $ 10,333,039. 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.

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 $ 4,304,750 with an annual required contribution (ARC) of $ 428,375. The ARC represents the amortization of the liability for fiscal year 2016 plus the current expense for active employees, which is reduced by the current contributions of approximately $ 62,299. The College's net OPEB obligation (NOO) at June 30, 2016 was approximately $ 922,769. This amount is not included in the College's financial statements.

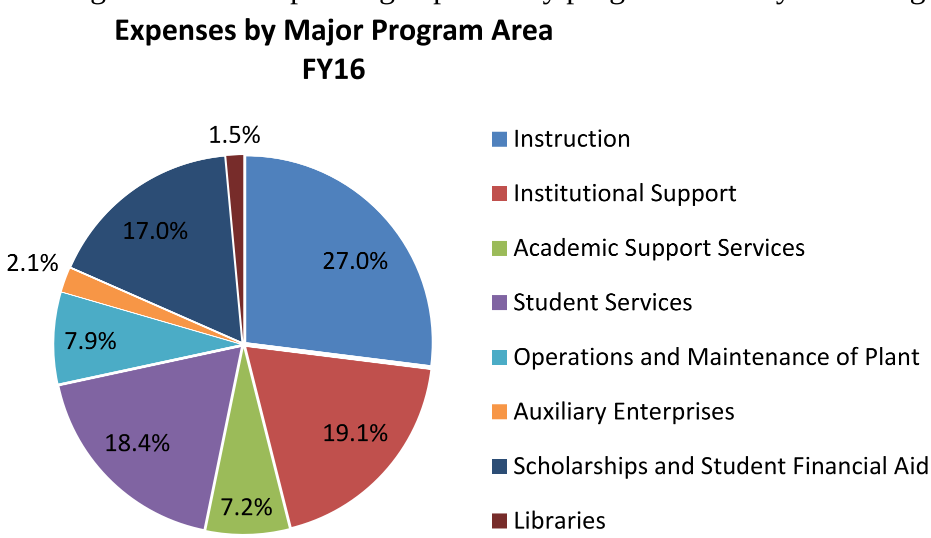
The College paid $ 3,496,211 for healthcare expenses in 2016, which included its pay-as-you-go portion of the OPEB liability.

16. Operating Expenses by 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, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2016

Instruction	$ 10,159,442
Institutional Support	7,191,068
Academic Support Services	2,693,936
Student Services	6,933,845
Operations and Maintenance of Plant	2,964,714
Auxiliary Enterprises	785,311
Scholarships and Student Financial Aid	6,385,150
Libraries	551,552
Service Operations	454,769
Capital Improvements	5,913,809
Agency and Suspense	8,659
TOTAL	**$ 44,042,255**

The following chart shows operating expenses by program for the year ending June 30, 2016.



17. Commitments and Contingencies

In FY 2006 there was a class action filed against the State of Washington, Moore vs. HCA, on behalf of certain employees alleging improper denial of healthcare benefits. Although the College was not named as a defendant in the lawsuit, some of the class members are current or former employees of the College. In FY 2016 on June 24th, 2016 SBCTC received the final approval to the settlement in Moore vs. HCA. The total settlement amount is $80 million.

The community college system's portion is $32 million. Of this total liability, $19 million was appropriated to the State Board, which they will remit to the State Treasurer. LCC is responsible for $338,263 of the $19 million appropriated to SBCTC. LCC booked a liability in the amount of $338,263 in FY 2015, carried that liability forward in FY 2016, and remitted payment to SBCTC in FY 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.

18. Subsequent Events

For the first time in 17 years, SBCTC has changed the way it distributes state funds to college districts. The new method better aligns state funding with actual enrollments and increases funding for enrollments in certain high-priority courses – those that fill gaps or provides adult basic education. It also increases how much money districts received based on student performance. The new model took effect FY 2017. Any increase or decrease in funding for a district will be phased in over a 4-year period.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Lower Columbia College’s Proportionate Share of the Net Pension Liability

Schedule of Lower Columbia College's Share of the Net Public Employees’ Retirement System (PERS) Plan 1 Measurement Date of June 30		
	2014	**2015**
College’s proportion of the net pension liability	0.056804%	0.058480%
College proportionate share of the net pension liability	$ 2,861,528	$ 3,059,048
College covered payroll	$ 6,141,255	$ 6,659,738
College’s proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.60%	45.93%
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 Lower Columbia College's Proportionate Share of the Net Pension Liability

Schedule of Lower Columbia College's Share of the Net Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30			
		2014	**2015**
College's proportion of the net pension liability		0.070723%	0.074665%
College proportionate share of the net pension liability	$	1,429,567	$2,667,824
College covered payroll	$	6,048,603	$6,624,698
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 Lower Columbia College’s Proportionate Share of the Net Pension Liability

Schedule of Lower Columbia College's Share of the Net Teachers’ Retirement System (TRS) Plan 1 Measurement Date of June 30		
	2014	**2015**
College’s proportion of the net pension liability	0.006548%	0.007150%
College proportionate share of the net pension liability	$ 193,131	$ 226,522
College covered payroll	$ 311,323	$ 353,651
College’s proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.04%	64.05%
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 Lower Columbia College's Proportionate Share of the Net Pension Liability

Schedule of Lower Columbia College's Share of the Net Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30		
	2014	**2015**
College's proportion of the net pension liability	0.007061%	0.007566%
College proportionate share of the net pension liability	$ 22,806	$ 63,842
College covered payroll	$ 311,323	$ 353,651
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	7.33%	18.05%
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 payroll	Contributions as a percentage of covered–employee payroll
2014	$ 251,435	$ 251,435	$ -	$ 6,141,255	4.09%
2015	$ 268,776	$ 268,776	$ -	$ 6,659,738	4.04%
2016	$ 338,077	$ 338,077	$ -	$ 7,088,864	4.77%
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 Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered–employee payroll
2014	$ 298,762	$ 298,762	$ -	$ 6,048,603	4.94%
2015	$ 332,598	$ 332,598	$ -	$ 6,624,698	5.02%
2016	$ 436,283	$ 436,283	$ -	$ 7,052,812	6.19%
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 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered–employee payroll
2014	$ 12,948	$ 12,948	$ -	$ 311,323	4.16%
2015	$ 16,001	$ 16,001	$ -	$ 353,651	4.52%
2016	$ 18,729	$ 18,729	$ -	$ 418,067	4.48%
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 payroll	Contributions as a percentage of covered–employee payroll
2014	$ 17,326	$ 17,326	$ -	$ 311,323	5.57%
2015	$ 20,107	$ 20,107	$ -	$ 353,651	5.69%
2016	$ 33,794	$ 33,794	$ -	$ 418,067	8.08%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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