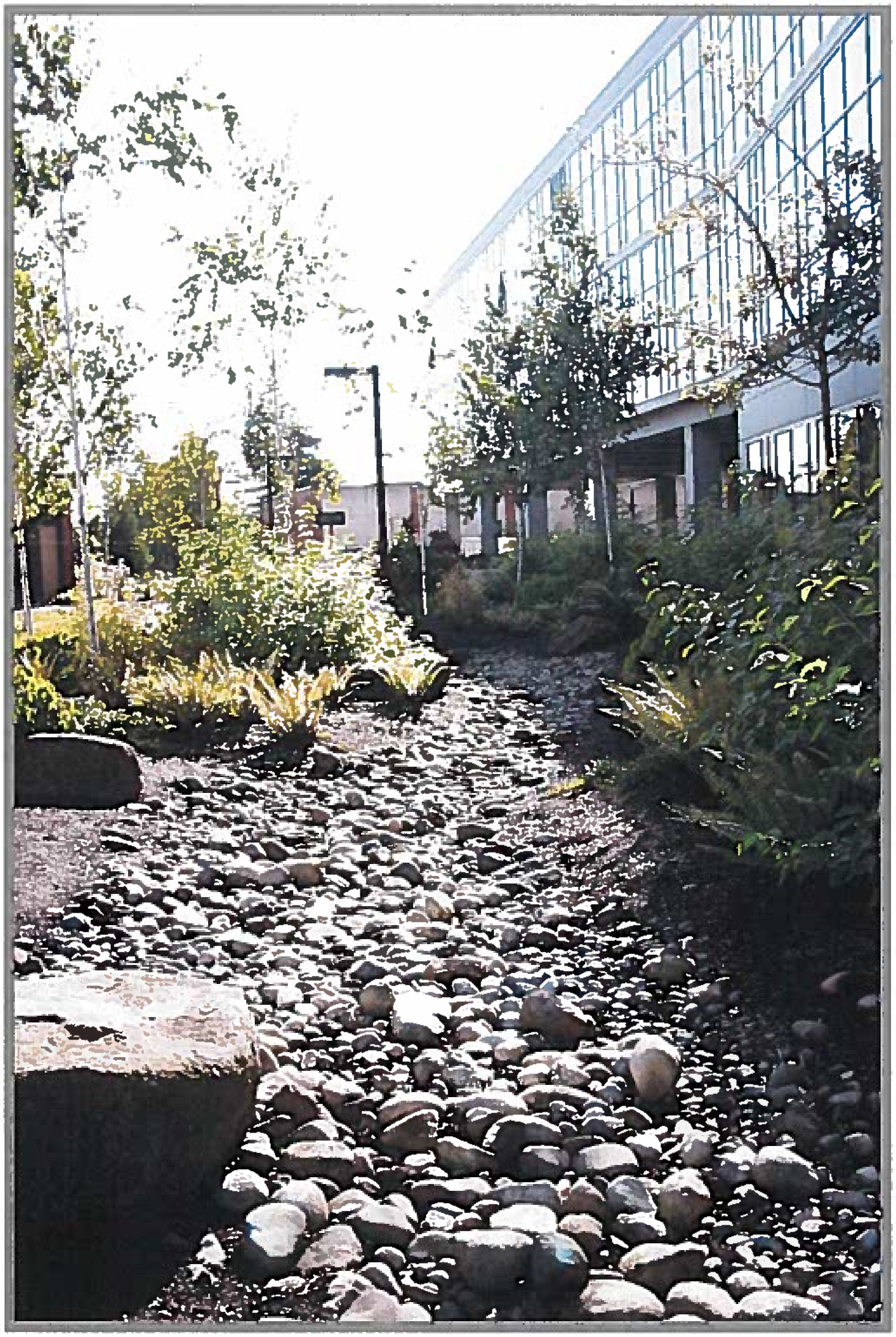

Everett Community College

2015 Financial Report
Fiscal Year Ended June 30, 2015

2015
Financial Report

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You may view the financial report at www.everettcc.edu.

For information about the financial data included in this report, contact:
Susan Dresser, Executive Director of Finance
Everett Community College
2000 Tower Street
Everett, WA 98201
425.388.9254

For information about enrollment, degrees awarded, or academic programs, contact:
Laurie Franklin, Dean of Enrollment and Student Financial Services
Everett Community College
2000 Tower Street
Everett, WA 98201

Trustees and Administrative Officers

As of June 30, 2015
(financial statement date)

BOARD OF TRUSTEES
Gigi Burke, chairperson

Betty Cobbs

Mike Deller

Bob Bolerjack

James Shipman

As of June 16, 2016
(audit date)

BOARD OF TRUSTEES
Bob Bolerjack, chairperson

Betty Cobbs

Gigi Burke

Mike Deller

Toraya Miller

EXECUTIVE OFFICERS

As of June 30, 2015
(financial statement date)

Dr. David N. Beyer, President

Alison Stevens, Executive Vice-President of Instruction and Student Services

Patrick Sisneros, Vice President of College Services

Jennifer Howard, Vice President of Administrative Services

Dr. John Olson, Vice President of College Advancement and Executive Director EvCC Foundation

John Bonner, Executive Director of Corporate and Continuing Education

Heather Bennett, Executive Director of Institutional Effectiveness and Resource Development

Maria Peña, Chief Diversity and Equity Officer

As of June 2016
(audit date)

Dr. David N. Beyer, President

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Patrick Sisneros, Vice President of College Services

Jennifer Howard, Vice President of Administrative Services

Dr. John Olson, Vice President of College Advancement and Executive Director EvCC Foundation

John Bonner, Vice President of Corporate and Continuing Education

Heather Bennett, Executive Director of Institutional Effectiveness and Resource Development

Maria Peña, Chief Diversity and Equity Officer

Washington State Auditor's Office

Government that works for citizens

Financial Statements Audit Report

Everett Community College

For the period July 1, 2014 through June 30, 2015

Published June 16, 2016

Report No. 1016803

Washington State Auditor's Office

June 16, 2016

Board of Trustees
Everett Community College
Everett, Washington

Report on Financial Statements

Please find attached our report on the Everett Community College's financial statements.

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

Sincerely,

Troy X Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

Insurance Building, P.O. Box 40021 □ Olympia, Washington 98504-0021 □ (360) 902-0370 □ TDD Relay (800) 833-6388

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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*

Everett Community College
July 1, 2014 through June 30, 2015

Board of Trustees
Everett Community College
Everett, 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 Everett Community College, Snohomish County, Washington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated May 19, 2016. Our report includes a reference to other auditors who audited the financial statements of the Everett Community College Foundation as described in our report on the College's financial statements. This report does not include the results of the other auditor's testing of internal controls over financial reporting or compliance and other matters that are reported separately by those other auditors. The financial statements of the Everett Community College Foundation were not audited in accordance with *Governmental Auditing Standards.*

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the College implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

The financial statements of the Everett Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Troy X Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

May 19, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Everett Community College
July 1, 2014 through June 30, 2015

Board of Trustees
Everett Community College
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Everett Community College, Snohomish County, Washington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Everett

Community College Foundation were not audited in accordance with *Governmental 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 other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Everett Community College, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Everett Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 1, during the year ended June 30, 2015, the College implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2016 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.

Troy X Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

May 19, 2016

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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

Management's Discussion and Analysis

Everett Community College

The following discussion and analysis provides an overview of the financial position and activities of Everett Community College (the College) for the fiscal year ended June 30, 2015 (FY 2015) with comparative 2014 (FY 2014) financial information. This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity

Everett Community College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 19,825 students. The College confers associates degrees, certificates and high school diplomas. The College was established in 1941 and its primary purpose is to educate, equip and inspire each student to achieve personal and professional goals, contribute to our diverse communities, and thrive in a global society.

The College's main campus is located in Everett, Washington, a community of about 106,736 residents[1]. Classes are offered at other locations in Snohomish County. General education classes are offered in Monroe, Washington, at the Lake Tye building. The cosmetology program is located in Marysville, Washington. The Corporate and Continuing Education Center is located in Everett, across from the Boeing facility. The aviation program is offered at Paine Field. Other courses are provided through partnerships with Sno Isle Skills Center and Snohomish High School.

The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit, the Everett Community College Foundation. The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2015. 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.

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[1] http://quickfacts.census.gov/qfd/states/53/5322640.html

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

During 2015, the College adopted GASB Statement No. 68, as amended by GASB Statement No. 71. These statements require the College to record its proportionate share of net pension liabilities, deferred outflows and inflows by restating its 2014 net position, pension liabilities and deferral of resources as a change in accounting principle. For the purposes of this analysis, the restatement of the 2014 net position was made to conform to the 2015 presentation. The change in accounting principle resulted in a reduction to unrestricted net position in the amount of $9,448,863. This decrease resulted in the restatement of net position to a balance of $148,064,565 for the year ending June 30, 2014. See Note 1 for more information.

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 comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30th		FY 2015		FY 2014
Assets				
Current Assets	$	21,102,243	$	24,626,719
Capital Assets, net		151,056,778		151,894,650
Other Assets, non-current		15,271,587		12,021,443
Total Assets	**$**	**187,430,608**	**$**	**188,542,812**
Deferred Outflows	**$**	**1,337,904**	**$**	**983,464**
Liabilities				
Current Liabilities	$	9,304,859	$	8,720,198
Other Liabilities, non-current		29,079,554		32,741,513
Total Liabilities	**$**	**38,384,413**	**$**	**41,461,711**
Deferred Inflows	**$**	**3,262,258**	**$**	**-**
Net Position, as restated	**$**	**147,121,841**	**$**	**148,064,565**

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The decrease of current assets in FY 2015 can be attributed to a $2 million dollar increase in long-term investments and reclassification of cash restricted for supplemental financial aid to non-current.

Net capital assets decreased by $837,872 from FY 2014 to FY 2015. Everett Community College had $4.3 million in current depreciation expense, combined with disposal of certain assets. This decrease was offset in part by ongoing acquisitions of capitalizable equipment. See Note 6 for more information.

Deferred outflows of resources totaling $1,337,904 are related to the net pension liability that was recorded in the College's financial statements this year. See Note 7 for more information.

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

The increase in current liabilities from FY 2014 to FY 2015 is due to increased summer tuition collected in advance and recorded in unearned revenue. See Note 1 for more information.

Non-current liabilities primarily consist of the value of pension liability attributable to the college, vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation debt. See Notes 15 and 16 for more details.

The College's non-current liabilities decreased due to the reduction of net pension liability and the pay down of long term debt from the prior year. See Notes 1, 15 and 16 for more details.

Deferred inflows of resources related to the College's net pension liability totaled $3,262,258. Deferred inflows of resources include the calculated difference between actual and projected investment earnings on the state's pension plans. See Note 7 for more information.

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

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

Restricted:
Nonexpendable – consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only.
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 restricted for supplemental financial aid.

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.

As stated earlier in this section, the College's net position was adjusted by $9,448,863 to reflect the implementation of GASB Statement No. 68 to report the net pension liability and the offsetting adjustment to net position.

Net Position As of June 30th		**FY 2015**		**FY 2014**
Net investment in capital assets	$	131,359,508	$	131,383,126
Restricted				
Expendable -Supplemental financial aid		1,236,061		1,126,654
Unexpendable - Principal for investment only		78,557		78,557
Unrestricted		14,447,715		15,476,228
Total Net Position	$	147,121,841	$	148,064,565

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 2015. 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, grants and contracts are included in this category. In contrast, non-operating revenues include monies the college receives from another government without directly giving equal value to that government in return. Accounting standards require that the College categorize state operating appropriations and Pell Grants as non-operating revenues.

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

A condensed comparison of the College's revenues, expense and changes in net position for the years ended June 30, 2015 and 2014 is presented below.

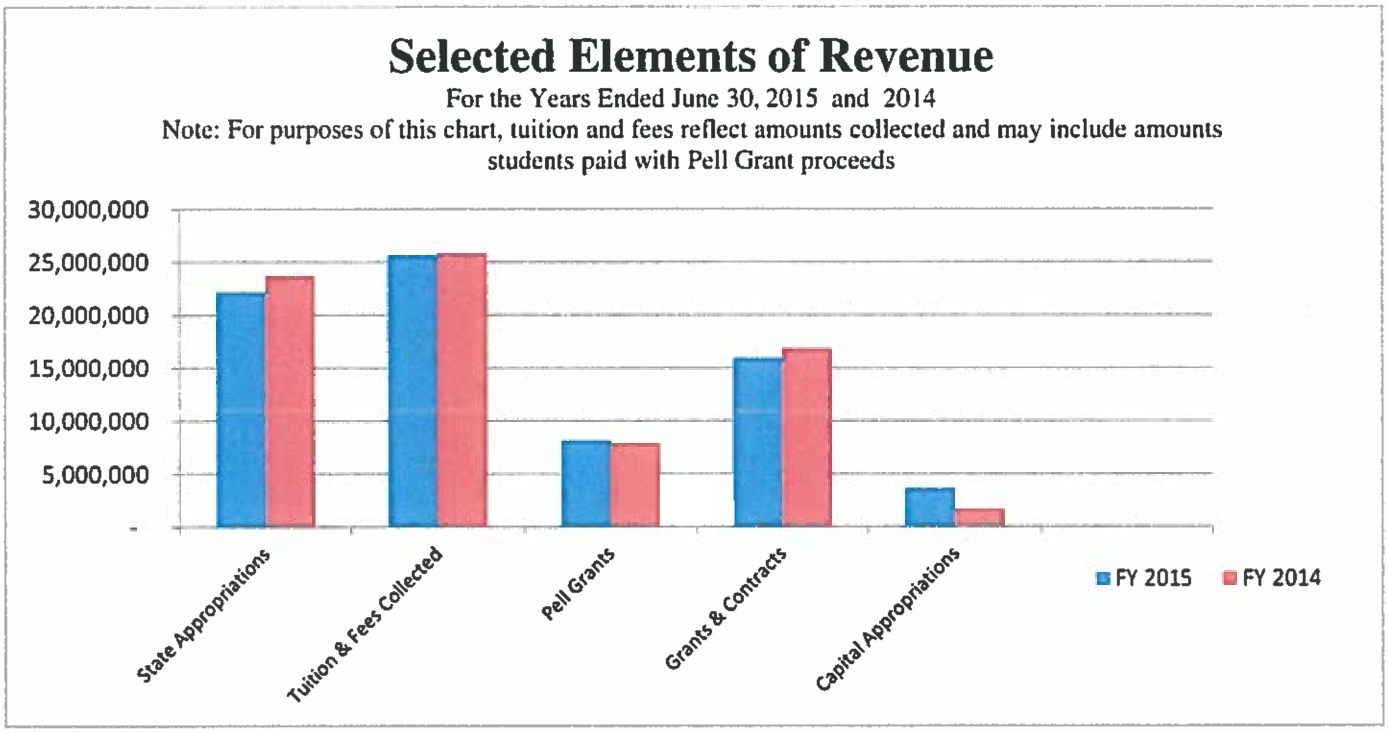
As of June 30th	FY 2015	FY 2014
Operating Revenues	$ 44,516,781	$ 45,897,347
Operating Expenses	76,332,153	72,654,732
Net Operating Loss	**(31,815,372)**	**(26,757,385)**
Non-Operating Revenues and Expenses	27,203,003	28,109,928
Gain (Loss) Before Other	**(4,612,369)**	**1,352,543**
Capital Appropriations and Contributions	3,669,645	1,705,626
Increase (Decrease) in Net Position	**(942,724)**	**3,058,169**
Net Position, July 1, as restated	**148,064,565**	**145,006,396**
Net Position, June 30	**$ 147,121,841**	**$ 148,064,565**

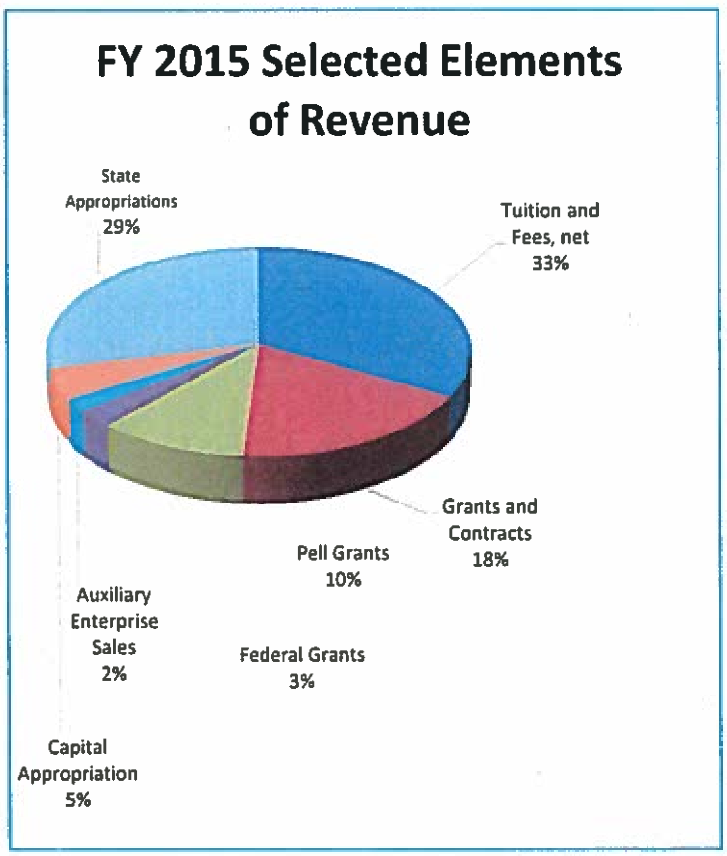
Revenues

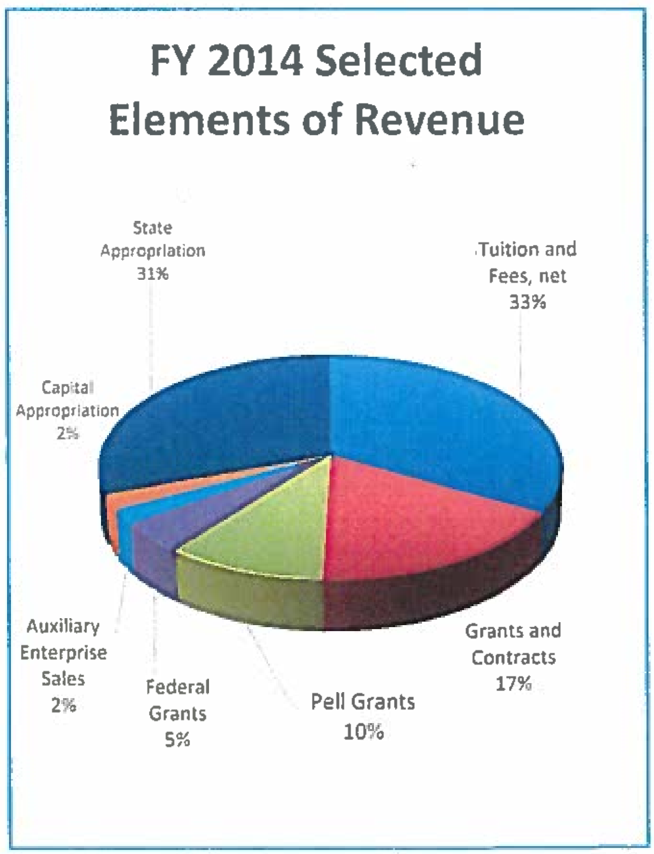
Continuing a trend that began midway through fiscal year 2009, the College's state operating appropriations decreased again in FY 2015. The State of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. System-level appropriations hit their height in FY 2009. Enrollments leveled off in FY 2015 and the College's tuition and fee revenue was also level. Pell grant revenues generally follow enrollment trends. As the College's enrollment leveled off during FY 2015 so did the College's Pell grant revenues.

In FY 2015, state and local grant and contract revenues increased by $450,595 when compared with FY 2014. The College continued to serve students under the terms of contracted programs with increases in Youth Re-Engagement and Early Childhood Education Assistance Program. 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 serves contracted international students who are not supported by state dollars. Also in FY 2015, federal grants and contract revenues decreased by $1.3 million due to the expiration of the Air Washington and HECO grants during the year.

The College receives capital spending authority on a biennial basis and may carry unexpended amounts forward into one or two future biennia, with state approval, 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.







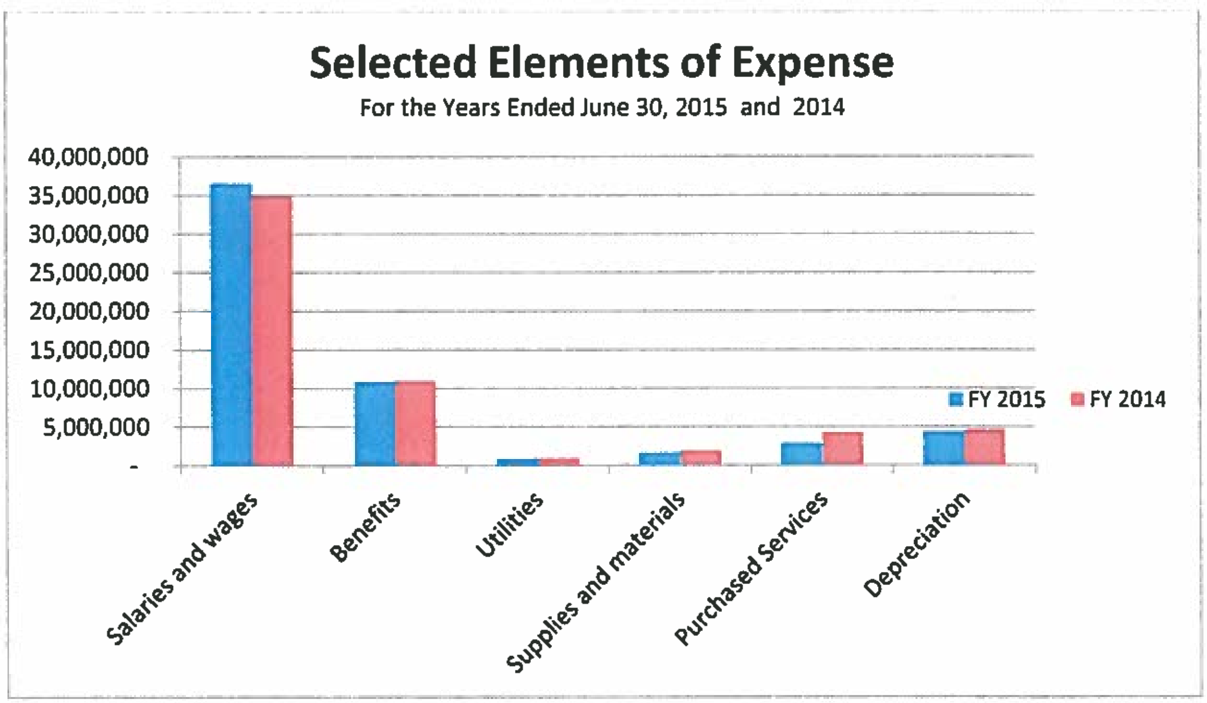
Expenses
Faced with severe budget cuts over the past six years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions.

More recently, in FY 2015, salary and benefit costs increased as a result of adding positions and having to compete in the job market in order to replace retiring exempt employees and/or faculty.

Scholarships and fellowships expenses increased as funds were made available to increased numbers of qualified students in FY 2015. Purchased services are significantly lower in FY 2015, primarily as a result of the FY 2014 transfer of University Center operations to Washington State University.

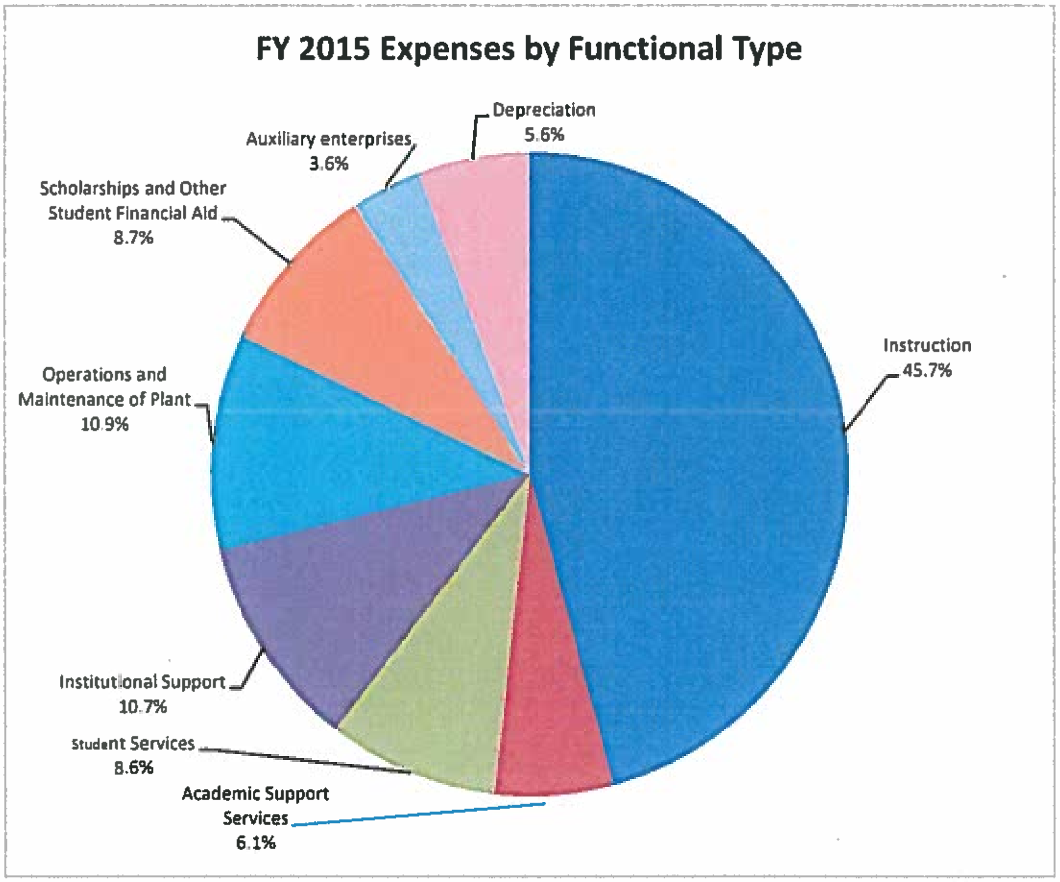
Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs. These fluctuations are to be expected. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service.

All other costs are reported as operating expenses. Examples include, consumable supplies, non-capitalizable remodeling and equipment costs and travel costs.



Operating Expenses by Function

The chart below shows the percentage of each functional area of operating expenses for FY 2015.



Capital Assets and Long-Term Debt Activities

The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed.

At June 30, 2015, the College had invested $151,056,778 in capital assets, net of accumulated depreciation. This represents a decrease of $837,872 from last year, as shown in the table below.

Asset Type	June 30, 2015	June 30, 2014	Change
Land	$ 8,558,859	$ 8,558,859	$ -
Construction in Progress	-	1,906,469	(1,906,469)
Buildings, net	138,345,248	138,024,139	321,109
Other Improvements and Infrastructure, net	195,511	211,099	(15,588)
Equipment, net	3,732,174	2,969,637	762,537
Library Resources, net	224,986	224,447	539
Total Capital Assets, Net	**$ 151,056,778**	**$ 151,894,650**	**$ (837,872)**

Additional information on capital assets can be found in Note 6 of the Notes to the Financial Statements.

For FY 2015, the College had just under $20 million in outstanding debt related to capital assets. A significant portion of this debt is related to the Student Fitness Center. The Fitness Center was financed with a 20 year Certificate of Participation (COP). In 2007, the student body approved a dedicated student fee as their contribution to payment of the Fitness Center COP. Additional debt includes the remodel of CCEC, on-going capital leases for equipment in Whitehorse Hall along with a fiber optic infrastructure project.

	June 30, 2015	June 30, 2014
Certificates of Participation	$ 19,530,000	$ 20,515,000
Capital Leases	270,552	243,521
Total	**$ 19,800,552**	**$ 20,758,521**

Additional information on notes payable, long term debt and debt service schedules can be found in Notes 13, 14 and 15 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

Following a trend that began in FY 2009, the College's state operating appropriations continued to decrease through FY 2013. More recently, when creating the 2013 – 2015 biennial budget, the state Legislature re-invested in community and technical colleges. They continued this trend with a supplemental budget that included community colleges as a key partner in an investment in aerospace training. These investments in community colleges allowed the Legislature to keep FY 2015 tuition flat for resident, non-resident and baccalaureate students.

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 backfill the loss at the level of target FTEs. However, the College had above target FTE for which no tuition backfill was received.

In FY 2017, the State Board for Community and Technical Colleges has elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model will be based on student completion, student achievement and enrollments. This new allocation model will significantly change the College's state funding levels. Additionally, the requirement that international students be counted as 'contract' as opposed to 'state' FTE will impact the College's ability to meet its state enrollment targets, which in turn will negatively impact the College's state allocation. The College is working with the State Board of Community and Technical Colleges to mitigate these projected financial challenges.

Everett Community College
Statement of Net Position
June 30,2015

Assets			
Current assets			
Cash and cash equivalents			14,762,418
Retracted cash			222,156
Accounts Receivable			5,951,435
Interest Receivable			57,640
Inventories			108,594
	Total current assets		21,102,243
Non-Current Assets			
Long-term investments			14,045,254
Restricted cash			1,226,333
Non-depreciable Capital Assets			8,558,859
Depreciable Capital Assets, Net			142,497,919
	Total non-current assets		166,328,365
		Total assets	**187,430,608**
Deferred Outflows of Resources			1,337,904
Deferred Outflows of Resources related to pensions			1,337,904
Total Assets and Deferred Outflows			**188,768,512**
Liabilities			
Current Liabilities			
Accounts Payable			1,456,257
Accrued Liabilities			2,767,711
Deposits Payable			18,975
Unearned Revenue			3,912,332
Leases and Certificates of Participation Payable			1,149,584
	Total current liabilities		9,304,859
Noncurrent Liabilities			
Compensated Absences			2,738,473
Pension liability			7,690,113
Long-term liabilities			18,650,968
	Total non-current liabilities		29,079,554
		Total liabilities	**38,384,413**
Deferred Inflows of Resources			3,262,258
Deferred Inflows of Resources related to pensions			3,262,258
Net Position			
Net Investment in Capital Assets			131,359,508
Restricted for:			
Nonexpendable			78,557
Expendable			1,236,061
Unrestricted			14,447,715
Total Net Position			**147,121,841**
Total Liabilities, Deferred Inflows and Net Position			**188,768,512**

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

EVERETT COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

ASSETS

	2015	2014
CURRENT ASSETS:		
Cash and cash equivalents	$ 786,747	$ 748,273
Short-term investments	371,770	370,423
Current portion of pledges receivable, net	26,000	76,207
TOTAL CURRENT ASSETS	1,184,517	1,194,903
OTHER ASSETS:		
Pledges receivable, net of current portion	74,000	59,144
Property and equipment, net	97,383	42,831
Long-term investments	2,477,184	2,523,498
Cash restricted for endowments	340,231	365,298
Collection items	176,601	176,601
TOTAL OTHER ASSETS	3,165,399	3,167,372
	$ 4,349,916	$ 4,362,275

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 20,396	$ 20,000
NET ASSETS:		
Unrestricted	840,510	930,551
Temporarily restricted	1,378,463	1,348,674
Permanently restricted	2,110,547	2,063,050
TOTAL NET ASSETS	4,329,520	4,342,275
	$ 4,349,916	$ 4,362,275

See accompanying notes to the financial statements.

Everett Community College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

Operating Revenues		
Student tuition and fees, net		25,664,112
Auxiliary enterprise sales		1,563,304
State and local grants and contracts		13,792,772
Federal grants and contracts		2,118,480
Other operating revenues		1,378,113
	Total operating revenue	44,516,781
Operating Expenses		
Operating Expenses		10,383,529
Salaries and wages		36,552,313
Benefits		10,875,423
Scholarships and fellowships		8,781,105
Supplies and materials		1,627,348
Depreciation		4,338,303
Purchased services		2,845,208
Utilities		928,924
	Total operating expenses	76,332,153
	Operating income (loss)	(31,815,372)
Non-Operating Revenues (Expenses)		
State appropriations		22,216,697
Federal Pell grant revenue		8,158,621
Investment income, gains and losses		55,974
Building fee remittance		(1,776,057)
Innovation fund remittance		(536,001)
Loss on disposal of fixed assets		(12,422)
Interest on indebtedness		(903,809)
	Net non-operating revenue (expenses)	**27,203,003**
Loss before capital appropriations		(4,612,369)
Capital Revenues		
Capital appropriations		3,669,645
	Increase (Decrease) in net position	(942,724)
Net Position		
Net position, beginning of year		157,513,428
Cummulative effect of change in accounting principle		(9,448,863)
Net position, beginning of year, as restated		148,064,565
Net position, end of year		147,121,841

EVERETT COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Contributions	$ 28,529	$ 391,343	$ 113,996	$ 533,868
In-kind contributions	174,635	252,278	0	426,913
Special events revenue	74,395	0	0	74,395
Contract revenue	56,709	0	0	56,709
Investment income	11,604	64,334	0	75,938
Net realized and unrealized loss on investments	(2,777)	(11,310)	0	(14,087)
Net assets released from restrictions	659,356	(659,356)	0	0
Transfer between restrictions	0	(7,500)	7,500	0
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	1,002,451	29,789	121,496	1,153,736
EXPENSES AND LOSSES:				
College program support	535,417	0	0	535,417
Scholarships	213,312	0	0	213,312
Total program support	748,729	0	0	748,729
Administration	172,127	0	0	172,127
Fundraising	171,636	0	0	171,636
Total support services	343,763	0	0	343,763
Total expenses	1,092,492	0	0	1,092,492
Loss on uncollectible pledge (Note 4)	0	0	73,999	73,999
TOTAL EXPENSES AND LOSSES	1,092,492	0	73,999	1,166,491
CHANGE IN NET ASSETS	(90,041)	29,789	47,497	(12,755)
NET ASSETS AT BEGINNING OF YEAR	930,551	1,348,674	2,063,050	4,342,275
NET ASSETS AT END OF YEAR	$ 840,510	$ 1,378,463	$ 2,110,547	$ 4,329,520

See accompanying notes to the financial statements.

EVERETT COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Contributions	$ 61,179	$ 375,602	$ 48,400	$ 485,181
In-kind contributions	171,181	36,433	0	207,614
Special events revenue	71,866	0	0	71,866
Contract revenue	50,160	0	0	50,160
Investment income	9,384	52,210	0	61,594
Net realized and unrealized gain on investments	29,385	206,861	0	236,246
Change in value of split-interest agreement	0	0	7,382	7,382
Net assets released from restrictions	548,635	(548,635)	0	0
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	941,790	122,471	55,782	1,120,043
EXPENSES:				
College program support	284,885	0	0	284,885
Scholarships	277,238	0	0	277,238
Total program support	562,123	0	0	562,123
Administration	194,421	0	0	194,421
Fundraising	152,525	0	0	152,525
Total support services	346,946	0	0	346,946
TOTAL EXPENSES	909,069	0	0	909,069
CHANGE IN NET ASSETS	32,721	122,471	55,782	210,974
NET ASSETS AT BEGINNING OF YEAR	897,830	1,226,203	2,007,268	4,131,301
NET ASSETS AT END OF YEAR	$ 930,551	$ 1,348,674	$ 2,063,050	$4,342,275

See accompanying notes to the financial statements.

Everett Community College
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash flow from operating activities	
Student tuition and fees	25,447,569
Grants and contracts	16,222,569
Payments to vendors	(3,773,835)
Payments for utilities	(1,188,730)
Payments to employees	(36,539,889)
Payments for benefits	(10,738,370)
Auxiliary enterprise sales	1,917,680
Payments for scholarships and fellowships	(8,781,105)
Other receipts (payments)	(8,946,699)
Net cash used by operating activities	(26,380,810)
Cash flow from noncapital financing activities	
State appropriations	23,185,419
Pell grants	8,158,621
Building fee remittance	(1,925,118)
Innovation fund remittance	(534,862)
Net cash provided by noncapital financing activities	28,884,060
Cash flow from capital and related financing activities	
Capital appropriations	3,453,966
Purchases of capital assets	(3,598,159)
Principal paid on capital debt	(1,112,892)
Interest paid	(903,809)
Net cash used by capital and related financing activities	(2,160,894)
Cash flow from investing activities	
Purchase of investments	(2,023,811)
Income of investments	55,974
Net cash used by investing activities	(1,967,837)
Decrease in cash and cash equivalents	(1,625,481)
Cash and cash equivalents at the beginning of the year	17,836,388
Cash and cash equivalents at the end of the year	16,210,907

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	(31,815,372)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	4,338,303
Net pension expense	165,605
Changes in assets and liabilities	
Receivables , net	121,649
Inventories	(13,442)
Accounts payable	839
Accrued liabilities	308,832
Unearned revenue	388,632
Compensated absences	126,557
Deposits payable	(2,413)
Net cash used by operating activities	(26,380,810)

EVERETT COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	$ (12,755)	$ 210,974
Adjustments to reconcile change in net assets:		
Contributions restricted for endowment	(61,996)	(48,400)
Depreciation expense	2,447	2,447
Net realized and unrealized (gain) loss on investments	14,087	(236,246)
In-kind contribution of land	(57,000)	0
Reinvested interest on certificates of deposit	(1,347)	(1,651)
Change in value of split-interest agreement	0	(7,382)
Distribution of split-interest assets	0	(3,225)
Loss on uncollectible pledge	73,999	0
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Pledges receivable	(38,648)	15,187
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	396	(61,951)
Total adjustments and changes	(68,062)	(341,221)
	(80,817)	(130,247)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:		
Investment of assets restricted for endowment	(61,996)	(48,400)
Payments for purchases of investments	(89,211)	(1,023,854)
Proceeds from sale of investments	208,502	1,243,196
	57,295	170,942
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:		
Contributions restricted for endowment	61,996	48,400
NET INCREASE IN CASH AND EQUIVALENTS	38,474	89,095
BEGINNING CASH AND CASH EQUIVALENTS	748,273	659,178
ENDING CASH AND CASH EQUIVALENTS	$ 786,747	$ 748,273

See accompanying notes to the financial statements.

Notes to the Financial Statements
June 30, 2015
These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

The Everett Community College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1984 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to provide scholarships to students, professional development opportunities to faculty and staff, equipment to aid in the teaching process, and financial assistance to the College to meet its greatest needs as may be determined by the Foundation Board of Directors. 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. For the fiscal year ended June 30, 2015, the distribution from the Foundation to the College for restricted and/or unrestricted purposes which includes both student and scholarships and program support was approximately $748,729. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 2000 Tower Street, Everett, WA 98201.

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 outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement also supersedes GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as GASB Statement No. 50, Pension Disclosures. GASB 68 is effective for fiscal years beginning after June 15, 2014. The College has implemented this pronouncement during the 2015 fiscal year. Implementation of this pronouncement has required a restatement of the prior year net position to reflect the net pension liability and the impact to net position.

The Governmental Accounting Standards Board (GASB) issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective for the year ended June 30, 2015. This statement addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The effect of Statement No. 71 to the College is to require the deferral (Deferred Outflows) of pension contributions made subsequent to the measurement date and is addressed in Note 7 to the financial statements.

Cumulative effect of change in accounting principle
The college recorded a reduction to the beginning net position balance as a result of implementing GASB Statement No. 68. The net position has been restated as follows:

Net Position as previously reported at June 30, 2014	$157,513,428
Prior period adjustment:	
Net Pension Liability	($ 10,432,327)
Deferred Outflows	$ 983,464
Total prior period adjustment	($ 9,448,863)
Net Position, as restated, July 1, 2014	$148,064,565

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.

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, if probable of collection.

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.

During the course of operations, numerous transactions occur between funds for goods provided and services rendered. For the financial statements, interfund receivables and payables have generally been eliminated. However, revenues and expenses from the College's auxiliary enterprises are treated as though the College were dealing with private vendors. For all other funds, transactions that are reimbursements of expenses are recorded as reductions of expense.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. Endowment investments are classified as noncurrent assets. The College records all cash, cash equivalents, and investments at amortized cost, which approximates fair value.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents and U.S. Agency securities.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. This also includes amounts due from federal, state and local governments or private sources as allowed under the terms of grants and contracts. Where applicable, accounts receivable includes proceeds from Certificates of Participation that have not yet been received from the State Treasurer. Accounts receivable are shown net of estimated uncollectible amounts.

Inventories

Inventories, consisting primarily of supplies used by aviation and cosmetology programs, are valued at cost using the first in, first out 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 to the reader.

Land, buildings and equipment are recorded at cost, or if acquired by gift, at fair market value at the date of the gift. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives are generally 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

In accordance with GASB Statement 42, the college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2015, no assets had been written down.

Unearned Revenues
Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. The College has recorded summer quarter tuition and fees and housing deposits 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.

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

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

Operating Revenues. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts that primarily support the operational/educational activities of the colleges. Examples include a contract with OSPI to offer Running Start and/or Technical High School. The college also receives Adult Basic Education grants that support the primary educational mission of the college.

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

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

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

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2015 are $7,041,985.

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.

2. Cash and Investments

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

As of June 30, 2015, the carrying amount of the College's cash, restricted cash and equivalents was $16,210,907 as represented in the table below.

Petty Cash and Change Funds	$	7,700
Bank Demand and Time Deposits		14,600,762
Local Government Investment Pool		62,791
Deposits in Transit		91,165
Total Cash and cash equivalents	**$**	**14,762,418**
Cash restricted for retainage held	$	222,156
Cash restricted for supplemental financial aid		1,226,333
Total Restricted Cash	**$**	**1,448,489**

Investments consist of U.S. Agency bonds. All bonds held by the College are obligations of the United States or its agencies. As of June 30, 2015, the fair value of investments was $14,045,254 with maturities ranging from 1 -5 years.

Custodial Credit Risks—Deposits

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

Interest Rate Risk—Investments

The College manages its exposure to interest rate changes by limiting the duration of investments to mature at various points in the year. The portfolio average maturity is three years or less.

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.

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, 2015, none of the College's investments are exposed to custodial credit risk because the investments are held by US Bank Safekeeping of Washington in the College's name.

3. Interest Receivable

Interest receivable represents investment bond interest earned but not yet received by the college. At June 30, 2015, interest receivable was $57,640.

4. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements. At June 30, 2015, accounts receivable were as follows:

Table 2: Accounts Receivable	Amount	
Student Tuition and Fees	$	2,115,800
Due from the Federal Government		174,496
Due from Other State Agencies		4,252,373
Auxiliary Enterprises		162,639
Subtotal		6,705,308
Less Allowance for Uncollectible Accounts		(753,873)
Accounts Receivable, net	**$**	**5,951,435**

5. Inventories

Inventories, stated at cost using first in, first out method, consisted of consumable inventories in the amount of $108,594 of June 30, 2015.

6. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2015 is presented as follows. The current year depreciation expense was $4,338,303.

Table 3: Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	$ 8,558,859	$ -	$ -	$ 8,558,859
Construction in progress	1,906,469	0	1,906,469	0
Total nondepreciable capital assets	10,465,328	0	1,906,469	8,558,859
Depreciable capital assets				
Buildings	172,236,266	3,770,000	266,362	175,739,904
Other improvements and infrastruc	467,641	0	0	467,641
Equipment	8,280,804	1,721,850	420,211	9,582,443
Library resources	499,656	73,897	82,492	491,061
Subtotal depreciable capital assets	181,484,367	5,565,747	769,065	186,281,049
Less accumulated depreciation				
Buildings	34,212,127	3,305,468	122,939	37,394,656
Other improvements and infrastruc	256,542	15,588	0	272,130
Equipment	5,311,167	946,891	407,789	5,850,269
Library resources	275,209	70,356	79,490	266,075
Total accumulated depreciation	40,055,045	4,338,303	610,218	43,783,130
Total depreciable capital assets	$ 141,429,322	$ 1,227,444	$ 158,847	$ 142,497,919
Capital assets, net of accumulated depreciation	**$ 151,894,650**	**$ 1,227,444**	**$ 2,065,316**	**$ 151,056,778**

7. Deferred Outflows and Inflows

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 expense 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 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 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 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 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.

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual earnings of pension plan investments		$ 3,262,258
Changes in College's proportionate share of pension liabilities	$ 321,112	
Contributions to pension plans after measurement date	$ 1,016,792	
	$ 1,337,904	**$ 3,262,258**

The $1,016,792 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, 2016.

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

Year ended June 30	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
2016	$ 152,153	$ 548,876	$ 17,506	$ 5,639	$ 724,174
2017	$ 152,153	$ 548,876	$ 17,506	$ 5,639	$ 724,174
2018	$ 152,153	$ 548,876	$ 17,506	$ 5,639	$ 724,174
2019	$ 152,153	$ 594,005	$ 17,506	$ 5,639	$ 769,303
2020				$ (679)	$ (679)
Total	**$ 608,612**	**$2,240,633**	**$ 70,024**	**$ 21,877**	**$2,941,146**

8. Accounts Payable and Accrued Liabilities

At June 30, 2015, accrued liabilities are the following.

Accounts Payable and Accrued Liabilities	Amount	
Amounts Owed to Employees	$	1,426,790
Accounts Payable	$	1,456,257
Amounts Held for Others and Retainage	$	1,359,896
Total	**$**	**4,242,943**

9. Unearned Revenue

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

Table 5: Unearned Revenue	Amount	
Summer Quarter Tuition & Fees	$	3,616,476
Housing and Other Deposits		295,856
Total Unearned Revenue	$	3,912,332

10. Risk Management

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. Payments made for claims from July 1, 2014 through June 30, 2015, were $162,906.

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

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

11. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave either credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes, or a cash payout based on an annual vote of union retirees. 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 equal to one-fourth of the total balance on the payroll records. The accrued vacation leave totaled $1,411,261 and accrued sick leave totaled $1,327,212 at June 30, 2015.

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.

12. Leases Payable

The College finances some capital asset purchases through the Washington State Treasurer's leasing program and through a private finance company. These are classified as capital leases. The College also has leases for student residences, classroom space and other assets with various vendors. These leases are classified as operating leases. As of June 30, 2015, the minimum lease payments under capital leases and operating leases consist of the following.

Table 6: Leases Payable **Fiscal year**	**Capital Leases**	**Operating Leases**
2016	$ 144,739	$ 494,371
2017	142,439	492,822
2018	0	343,827
2019	0	343,827
2020	0	85,314
2021-2025	0	168,056
2026-2030	0	168,056
2031-2035	0	168,056
2036-2040	0	159,653
Total minimum lease payments	287,178	2,423,982
Less Amount representing interest	16,627	
Net present value	**$ 270,551**	**$ 2,423,982**

13. Notes Payable

In August, 2012, the College obtained financing to remodel the Corporate and Continuing Education Building through a certificate of participation (COP), issued by the Washington State Treasurer (OST) in the amount of $3,545,000. The interest rate charged is approximately 3.103%.

In August, 2009, the College obtained financing to build the Health Education & Fitness Center through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $20,440,000. Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 2011. The interest rate charged is approximately 4.463%.

Student fees related to the Health Education & Fitness Center COP are accounted for in a dedicated fund, which is used to pay a portion of the principal and interest, not coming out of the general operating budget. The College's debt service requirements for these note agreements for the next five years and thereafter are listed below.

14. Annual Debt Service Requirements

Future debt service requirements at June 30, 2015 are as follows:

Annotated Debt Service Requirements						
	Certificates of Participation			Capital Leases		
Fiscal year	Principal	Interest	Total	Principal	Interest	Total
2016	$ 1,015,000	$ 863,156	$ 1,878,156	$ 134,584	$ 10,155	$ 144,739
2017	1,050,000	829,676	1,879,676	135,968	6,471	142,439
2018	1,090,000	783,382	1,873,382			-
2019	1,140,000	739,107	1,879,107			-
2020	1,185,000	692,058	1,877,058			-
2021-2025	6,725,000	2,659,931	9,384,931			-
2026-2030	6,815,000	964,315	7,779,315			-
2031-2035	510,000	30,800	540,800			-
Total	**$ 19,530,000**	**$ 7,562,425**	**$ 27,092,425**	**$ 270,552**	**$ 16,626**	**$ 287,178**

15. Schedule of Long Term Debt

	Balance outstanding 6/30/14	Additions	Reductions	Balance outstanding 6/30/15	Current portion
Certificates of Participation	$ 20,515,000	$ -	$ 985,000	$ 19,530,000	$ 1,015,000
Capital leases	243,521	154,923	127,892	270,552	134,584
Pension liability	10,432,327	1,604,849	4,347,063	7,690,113	-
Compensated Absences	2,611,916	1,495,326	1,368,769	2,738,473	-
Total	**$ 33,802,764**	**$ 3,255,098**	**$ 6,828,724**	**$ 30,229,138**	**$ 1,149,584**

16. Pension Plans

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

For FY2014-15, the payroll for the College's employees was $10,722,387 for PERS, $459,832 for TRS, and $25,244,503 for SBRP. Total covered payroll was $36,426,722.

Everett Community College implemented Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions for the fiscal year 2015 financial reporting. The College's defined benefit pension plans were created by statutes rather than through trust documents.

With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with Statement No. 68, the College has elected to use the prior fiscal year end 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 Everett Community College, for fiscal year 2014:

Aggregate Pension Amounts - All Plans

Pension liabilities	$ 7,690,113
Deferred outflows of resources related to pensions	$ 1,337,904
Deferred inflows of resources related to pensions	$ 3,262,258
Pension expense/expenditures	$ 1,182,398

PERS and TRS

Plan Descriptions. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested after five years of eligible service. PERS Plan 3 has a defined contribution component that members may elect to self-direct as established by the Employee Retirement Benefits Board. PERS 3 defined benefit plan benefits are vested after an employee completes five years of eligible service.

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

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

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

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

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2015, 2014, and 2013 are as follows:

Contribution Rates at June 30						
	FY2013		FY2014		FY2015	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	7.21%	6.00%	9.21%	6.00%	9.21%
Plan 2	4.64%	7.21%	4.92%	9.21%	4.92%	9.21%
Plan 3	5 - 15%	7.21%	5 - 15%	9.21%	5 - 15%	9.21%
TRS						
Plan 1	6.00%	8.05%	6.00%	10.39%	6.00%	10.39%
Plan 2	4.69%	8.05%	4.96%	10.39%	4.96%	10.39%
Plan 3	5-15%	8.05%	5-15%	10.39%	5-15%	10.39%

Required Contributions						
	FY2013		FY2014		FY2015	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$ 11,323	$ 13,606	$ 11,732	$ 18,003	$ 13,536	$ 20,778
Plan 2	$ 357,658	$ 555,760	$ 413,465	$ 773,899	$ 404,510	$ 757,299
Plan 3	$ 88,725	$ 101,607	$ 117,836	$ 167,846	$ 146,006	$ 209,454
TRS						
Plan 1	$ 11,909	$ 15,975	$ 12,177	$ 20,644	$ 7,052	$ 12,212
Plan 2	$ 3,475	$ 5,964	$ 626	$ 1,074	$ -	$ -
Plan 3	$ 3,895	$ 4,620	$ 9,694	$ 15,116	$ 26,085	$ 37,129

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, 2014, 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	16.98%
PERS Plan 2/3	17.06%
TRS Plan 1	16.97%
TRS Plan 2/3	17.07%

These money-weighted rates of return express investment performance, net of pension plan investment expense, and reflect 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%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	**100%**	

The inflation component used to create the above table is 2.70 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
Actuarially determined pension expense	$ 263,869	$ 387,005	$ 18,290	$ 7,925	$ 677,089
Amortization of change in proportionate liability	$ 515,258	$ 90,259	($ 101,340)	$ 1,132	$ 505,309
Total Pension Expense	**$ 779,127**	**$ 477,264**	**($ 83,050)**	**$ 9,057**	**$1,182,398**
Deferred Outflows (FY 2015 contributions)	($442,562)	($526,515)	($ 28,053)	($ 19,662)	($1,016,792)
Total Adjustment to Benefit Expense	**$336,565**	**($ 49,251)**	**($ 111,103)**	**($ 10,605)**	**$ 165,605**

Changes in Proportionate Shares of Pension Liabilities

The changes to the College's proportionate share of pension liabilities from 2013 to 2014 for each retirement plan are listed below:

	2013	2014
PERS 1	.0878000	.0966180
PER 2/3	.1098040	.1193160
TRS 1	.0164080	.0135390
TRS 2/3	.0030760	.0036540

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, 2013, 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 report's Combined Healthy Table and Combined Disabled Table. The Society of Actuaries published the document. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB.

Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Sensitivity of the net pension liability to changes in the discount rate

The discount rate used to measure the total pension liability was 7.50 percent. 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 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates. 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 7.50 percent on pension plan investments was applied to determine the total pension liability.

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:

	1% Decrease	Current Discount Rate	1% Increase
Pension Plan	(6.50%)	(7.50%)	(8.50%)
PERS Plan 1	$ 5,999,272	$ 4,867,177	$ 3,895,385
PERS Plan 2/3	$10,060,164	$ 2,411,807	$(3,430,114)
TRS Plan 1	$ 513,880	$ 399,327	$ 300,998
TRS Plan 2/3	$ 102,584	$ 11,802	$ (55,676)

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, 2015 were each $1,847,958.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2015, supplemental benefits were paid by the SBCTC on behalf of the college system in the amount of $583,625. 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 2015, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $104,958. As of June 30, 2015, the Community and Technical College system accounted for $7,729,471 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 $20,278,573 with an annual required contribution (ARC) of $1,981,484. The ARC represents the amortization of the liability for fiscal year 2015 plus the current expense for active employees, which is reduced by the current contributions of approximately $249,118. The College's net OPEB obligation (NOO) at June 30, 2015 was approximately $2,936,026. This amount is not included in the College's financial statements.

The College paid $4,673,840 for healthcare expenses in 2015, which included its pay-as-you-go portion of the OPEB liability.

17. Operating Expenses by Program
In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction and academic support. The following table lists operating expenses by program for the year ending June 30, 2015.

Expenses by Functional Classification		
Instruction	$	34,917,913
Academic Support Services		4,638,604
Student Services		6,596,275
Institutional Support		8,197,670
Operations and Maintenance of Plant		8,289,919
Scholarships and Other Student Financial Aid		6,647,999
Auxiliary enterprises		2,732,415
Depreciation		4,311,358
Total operating expenses	**$**	**76,332,153**

18. Commitments and Contingencies

There is a class action lawsuit, Moore v. HCA, filed against the State of Washington on behalf of former part-time and non-permanent employees alleging improper denial of healthcare benefits. Although the College has not been named as a defendant in the lawsuit, some of the class members are current or former employees of the College. Potentially, the state could assess the College with a material share of any amount paid in the event of a settlement or judgment. As of the end of fiscal year 2015, the parties have reached a settlement agreement with the plaintiffs to settle all matters relating to this and related lawsuits. Final settlement is contingent on a) funding of the settlement by the legislature and b) final approval by the trial court if funding is provided. As such, the amount of loss cannot be reasonably estimated at this time.

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

The College has commitments of $544,813 for various capital improvement projects that include renovations of existing buildings.

19. Subsequent Events

On March 29th 2016, the legislature passed the supplemental budget which included an appropriation to fund the settlement for the Moore v. HCA lawsuit. SBCTC's portion of this obligation is $32 million of which $19 million is funded by the legislature and the remaining $13 million will be allocated among 34 colleges in the system. At this time, Everett Community College's potential share of this lawsuit has not been determined.

The college also has an outstanding legal matter originally filed with a labor arbitrator and with the Public Employment Relations Commission (PERC). The arbitrator ruled in favor of the college. However, PERC ruled in favor of the complainant. The college appealed the ruling. In fiscal year 2015, the college paid all aspects of the claim for a total of $337,701.20. This figure included back pay for the impacted employees, return of unemployment compensation overpayment, and attorney's fees.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

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

Schedule of Everett Community College's Share of the Net Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30	
	2014
College's proportion of the net pension liability	0.096618%
College proportionate share of the net pension liability	$ 4,867,177
College covered-employee payroll	$ 195,470
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	2489.99%
Plan's fiduciary net position as a percentage of the total pension liability	61.19%

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

Cost Sharing Employer Plans

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

Schedule of Everett Community College's Share of the Net Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30	
	2014
College's proportion of the net pension liability	0.119316%
College proportionate share of the net pension liability	$ 2,411,807
College covered-employee payroll	$ 10,225,244
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.59%
Plan's fiduciary net position as a percentage of the total pension liability	93.29%

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

Cost Sharing Employer Plans

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

Schedule of Everett Community College's Share of the Net Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30		
		2014
College's proportion of the net pension liability		0.013539%
College proportionate share of the net pension liability	$	399,327
College covered-employee payroll	$	198,688
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll		200.98%
Plan's fiduciary net position as a percentage of the total pension liability		68.77%

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

Cost Sharing Employer Plans

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

Schedule of Everett Community College's Share of the Net Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30		
		2014
College's proportion of the net pension liability		0.003654%
College proportionate share of the net pension liability	$	11,802
College covered-employee payroll	$	155,830
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll		7.57%
Plan's fiduciary net position as a percentage of the total pension liability		96.81%

*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 Everett Community College's Share of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 18,003	$ 18,003	$ -	$ 195,470	9.21%
2015	$ 20,778	$ 20,778	$ -	$ 225,605	9.21%
2016					
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 Everett Community College's Contributions Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 941,745	$ 941,745	$ -	$10,225,244	9.21%
2015	$ 966,753	$ 966,753	$ -	$10,496,781	9.21%
2016					
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 Everett Community College's Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 20,644	$ 20,644	$ -	$ 198,688	10.39%
2015	$ 12,212	$ 12,212	$ -	$ 117,533	10.39%
2016					
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 Everett Community College's Contributions
Teachers' Retirement System (TRS) Plan 2/3
Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered–employee payroll
2014	$ 16,191	$ 16,191	$ -	$ 155,830	10.39%
2015	$ 35,565	$ 35,565	$ -	$ 342,299	10.39%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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