PIERCE COLLEGE

possibilities. realized.

2016 ANNUAL FINANCIAL REPORT

Fiscal Year Ended
June 30, 2016

2016
Financial Report

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Financial Section:

For information about the financial data included in this report, contact:

Vice President of Administrative Services
Pierce College
9401 Farwest Dr SW
Lakewood, WA 98498
253-964-6506

For information about enrollment, degrees awarded, or academic programs, contact:

Institutional Research
Pierce College
9401 Farwest Dr SW
Lakewood, WA 98498
253-964-6529

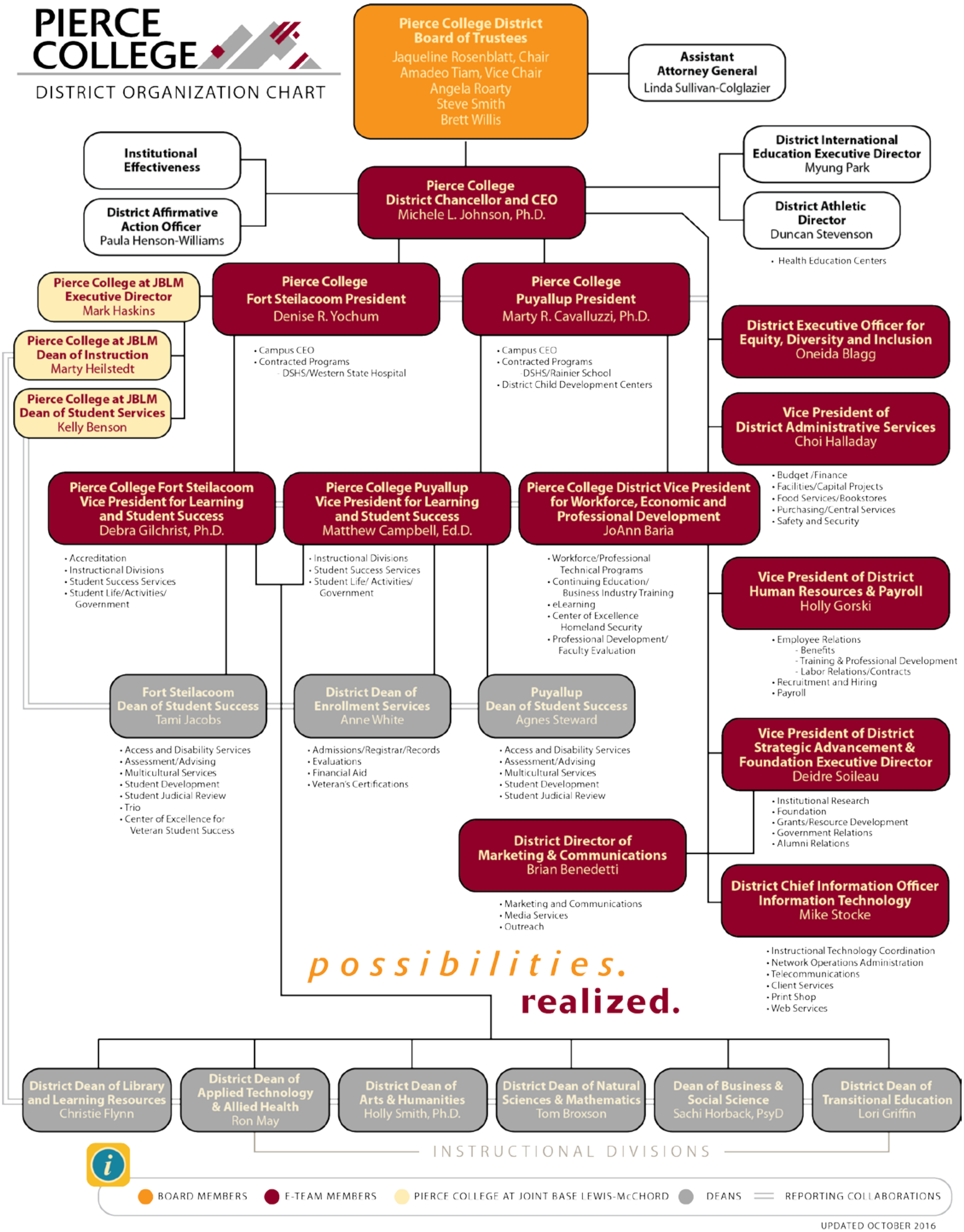
or
Visit the Facts and Stats of Pierce College - Home page at https://www.pierce.ctc.edu/about/demographics/

PIERCE COLLEGE

possibilities. realized.

Introductory Section
(unaudited)

Trustees *and* Administrative Officers


PIERCE COLLEGE
DISTRICT ORGANIZATION CHART
Pierce College District Board of Trustees
Jaqueline Rosenblatt, Chair
Amadeo Tiam, Vice Chair
Angela Roarty
Steve Smith
Brett Willis
Assistant Attorney General
Linda Sullivan-Colglazier
Institutional Effectiveness
District Affirmative Action Officer
Paula Henson-Williams
Pierce College District Chancellor and CEO
Michele L. Johnson, Ph.D.
District International Education Executive Director
Myung Park
District Athletic Director
Duncan Stevenson
• Health Education Centers
Pierce College at JBLM Executive Director
Mark Haskins
Pierce College at JBLM Dean of Instruction
Marty Heilstedt
Pierce College at JBLM Dean of Student Services
Kelly Benson
Pierce College Fort Steilacoom President
Denise R. Yochum
• Campus CEO
• Contracted Programs
- DSHS/Western State Hospital
Pierce College Puyallup President
Marty R. Cavalluzzi, Ph.D.
• Campus CEO
• Contracted Programs
- DSHS/Rainier School
• District Child Development Centers
District Executive Officer for Equity, Diversity and Inclusion
Oneida Blagg
Vice President of District Administrative Services
Choi Halladay
• Budget /Finance
• Facilities/Capital Projects
• Food Services/Bookstores
• Purchasing/Central Services
• Safety and Security
Pierce College Fort Steilacoom Vice President for Learning and Student Success
Debra Gilchrist, Ph.D.
• Accreditation
• Instructional Divisions
• Student Success Services
• Student Life/Activities/ Government
Pierce College Puyallup Vice President for Learning and Student Success
Matthew Campbell, Ed.D.
• Instructional Divisions
• Student Success Services
• Student Life/ Activities/ Government
Pierce College District Vice President for Workforce, Economic and Professional Development
JoAnn Baria
• Workforce/Professional Technical Programs
• Continuing Education/ Business Industry Training
• eLearning
• Center of Excellence Homeland Security
• Professional Development/ Faculty Evaluation
Vice President of District Human Resources & Payroll
Holly Gorski
• Employee Relations
- Benefits
- Training & Professional Development
- Labor Relations/Contracts
• Recruitment and Hiring
• Payroll
Fort Steilacoom Dean of Student Success
Tami Jacobs
• Access and Disability Services
• Assessment/Advising
• Multicultural Services
• Student Development
• Student Judicial Review
• Trio
• Center of Excellence for Veteran Student Success
District Dean of Enrollment Services
Anne White
• Admissions/Registrar/Records
• Evaluations
• Financial Aid
• Veteran's Certifications
Puyallup Dean of Student Success
Agnes Steward
• Access and Disability Services
• Assessment/Advising
• Multicultural Services
• Student Development
• Student Judicial Review
Vice President of District Strategic Advancement & Foundation Executive Director
Deidre Soileau
• Institutional Research
• Foundation
• Grants/Resource Development
• Government Relations
• Alumni Relations
District Director of Marketing & Communications
Brian Benedetti
• Marketing and Communications
• Media Services
• Outreach
District Chief Information Officer Information Technology
Mike Stocke
• Instructional Technology Coordination
• Network Operations Administration
• Telecommunications
• Client Services
• Print Shop
• Web Services
possibilities. realized.
District Dean of Library and Learning Resources
Christie Flynn
District Dean of Applied Technology & Allied Health
Ron May
District Dean of Arts & Humanities
Holly Smith, Ph.D.
District Dean of Natural Sciences & Mathematics
Tom Broxson
Dean of Business & Social Science
Sachi Horback, PsyD
District Dean of Transitional Education
Lori Griffin
INSTRUCTIONAL DIVISIONS
BOARD MEMBERS
E-TEAM MEMBERS
PIERCE COLLEGE AT JOINT BASE LEWIS-McCHORD
DEANS
REPORTING COLLABORATIONS
UPDATED OCTOBER 2016

PIERCE COLLEGE

MISSION

Create quality educational opportunities for a diverse community of learners to thrive in an evolving world.

VISION

Possibilities realized:
Innovative and engaged learners enriching our local and global communities.

CORE THEMES

- Access
- Excellence
- Contribution to Community
- Positive and Diverse College Environment
- Student Learning and Success

LEARNING • INTEGRITY • RESPECT

ACCOUNTABILITY • SUSTAINABILITY

• VALUES •

Financial Section

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*

Pierce College
July 1, 2015 through June 30, 2016

Board of Trustees
Pierce College
Lakewood, 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 Pierce College, Pierce County, Washington, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated June 14, 2017.

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

June 14, 2017

Overview of the Financial Statements and Financial Analysis
Pierce College is pleased to present its financial statements for fiscal year 2016. While audited financial statements for fiscal year 2015 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on the current year data.

The financial statements presented in this report encompass the College and its discretely presented component unit*(s)*. 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. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health as a whole.

This discussion and analysis provides an overview of the financial position and activities of Pierce College (the College) for the fiscal year ended June 30, 2016. This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion should be read in conjunction with the College's financial statements and accompanying note disclosures.

Statement of Net Position
The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Pierce College. The Statement of Net Position presents end-of-year data concerning Assets (property that we own and what we are owed by others), Deferred Outflows of Resources (consumption of net position by the College that is applicable to a future reporting period), Liabilities (what we owe to others and have collected from others before we have provided the service), Deferred Inflows of Resources (acquisition of net position by the College that is applicable to a future reporting period), and Net Position (Assets and Deferred Outflows of Resources, minus Liabilities and Deferred Inflows of Resources). It is prepared under the accrual basis of accounting, where revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash is exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of institution. They are also able to determine how much the institution owes to vendors and others. Finally, the Statement of Net Position provides a picture of the net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) and their availability for expenditure by the institution.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant, and equipment owned by the institution, net of accumulated depreciation and outstanding debt obligations related to those capital assets. The next category is restricted net position, which is divided into two categories, expendable for Institutional Financial Aid and expendable for Student Loans. Expendable restricted net position is available for expendable for expenditure by the institution but must be spent for purposes as determined by external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available to the institution for any lawful purpose of the institution and includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

Condensed Summary of Net Position

	June 30, 2016	**June 30, 2015**	**Change**
Assets			
Current assets	$ 25,618,380	$ 24,071,479	$ 1,546,901
Non-current assets	17,729,737	16,999,804	729,933
Capital assets, net	156,811,790	161,158,704	(4,346,914)
Total assets	**200,159,907**	**202,229,987**	**(2,070,080)**
Deferred outflows of resources	**2,144,108**	**1,332,565**	**781,543**
Liabilities			
Current liabilities	11,184,747	9,717,712	1,467,035
Non-current liabilities	20,073,681	19,207,628	866,053
Total liabilities	**31,258,428**	**28,925,340**	**2,333,088**
Deferred inflows of resources	**1,653,017**	**3,563,160**	**(1,910,143)**
Net position			
Net investment in capital assets	151,441,790	154,548,704	(3,106,914)
Restricted expendable	1,596,852	1,613,157	(16,305)
Unrestricted	16,353,928	14,912,190	1,441,738
Total net position	**$ 169,392,570**	**$ 171,074,051**	**$ (1,681,481)**

Current assets consist primarily of cash, investments, and various accounts receivables. The increase of current assets in FY 2016 can be attributed to deliberate changes in the College's investment strategy to prepare for the possibility that the State of Washington would not pass a budget by July 01, 2016 and the College may have needed to operate for some amount of time without an allocation from the State.

Net capital assets decreased by $4,346,914 from FY 2015 to FY 2016. The decrease is primarily the result of current depreciation expense of $5,088,920. This decrease was offset in part by ongoing acquisitions of capitalizable equipment.

Non-current assets consist primarily of the long-term portion of certain investments and student loans receivable. Some long-term investments that matured were deliberately held as current assets, as mentioned above. The college makes Student Loans as part of the Federal Perkins Loan Program CFDA No. 84.038. Loans receivable decreased as existing loans are paid down.

Deferred outflows of resources totaling $2,144,108 are related to the net pension liability that was recorded on the College's financials this year.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. The increase in current liabilities from FY 2015 to FY 2016 is the result of an increase in accounts payable, a decrease in accrued liabilities primarily attributable to an increase in accrued salaries, and a decrease in unearned revenue for summer quarter received prior to the start of the FY 2017.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation debt. The College's non-current liabilities continue to decrease as the College pays down the principal owed on Certificates of Participation for the Pierce College Fort Steilacoom Health Education Center (HEC) and the Pierce College Puyallup Health Education Center (HEP). The changes in non-current liabilities also includes minimal increases to vacation and sick leave balances.

Deferred inflows of resources related to the College's net pension liability totaled $1,653,017. Deferred inflows of resources include the calculated difference between actual and projected investment earnings on the state's pension plans.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. All things being equal, a public College's dependency on State Government Appropriations will result in operating deficits. The GASB requires state appropriations to be classified as non-operating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Changes in total net position as presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Tuition, auxiliary enterprise sales, and grants and contracts are included in this category. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. The College's operating loss is reflective of the external funding necessary to keep tuition lower than the cost of the services provided.

Non-operating revenues are revenues received for which goods and services are not provided. Non-operating revenues include state appropriations, federal Pell grant revenue and investment income, net of related expenses. State capital appropriations and capital grants are considered neither operating nor non-operating revenues and are reported after "Income before capital contributions".

The Condensed Statement of Revenues, Expenses and Changes in Net Position is presented below and reflects a negative year with a decrease in Net Position at the end of the year.

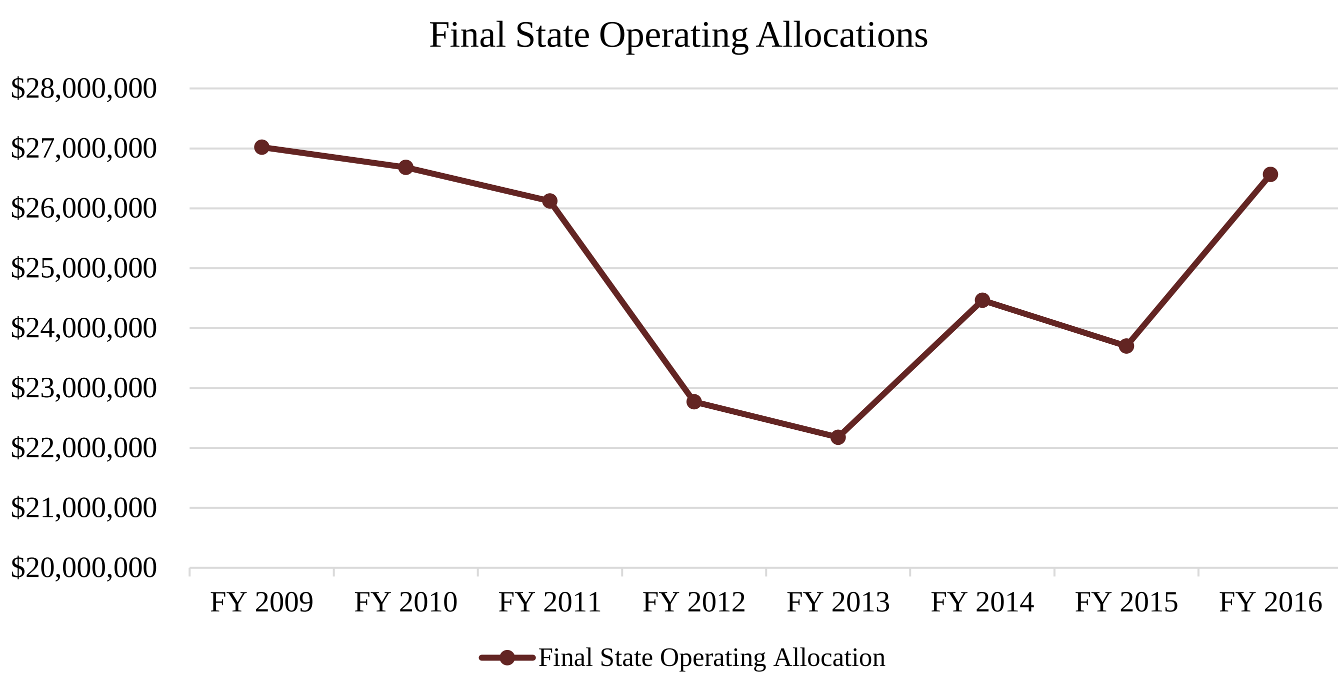
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2016	**June 30, 2015**	**Change**
Operating revenues			
Student tuition and fees, net	$ 26,738,277	$ 27,293,784	$ (555,507)
Auxiliary enterprise sales	1,236,677	1,142,679	93,998
State and local grants and contracts	17,208,984	15,090,136	2,118,848
Federal grants and contracts	1,097,972	1,011,661	86,311
Other operating revenues	158,761	446,736	(287,975)
Interest on loans to students	4,324	5,413	(1,089)
Total operating revenues	**46,444,995**	**44,990,409**	**1,850,254**
Operating expenses	**85,285,600**	**81,420,396**	**4,260,872**
Operating loss	**(38,840,605)**	**(36,429,987)**	**(2,410,618)**
Non-operating revenues			
State appropriations	26,549,370	23,648,137	2,901,233
Federal Pell grant revenue	12,098,594	12,436,622	(338,028)
Investment income, net	368,596	60,942	307,654
Non-operating expenses	(2,618,617)	(2,889,514)	270,897
Net non-operating revenues (expenses)	**36,397,943**	**33,256,187**	**3,141,756**
Income (loss) before capital contributions	**(2,442,662)**	**(3,173,800)**	**731,138**
Capital appropriations	761,181	3,258,397	(2,497,216)
Decrease in net position	**(1,681,481)**	**84,597**	**(900,332)**
Net position, beginning of year	171,074,051	170,989,454	84,597
Net position, end of year	**$ 169,392,570**	**$ 171,074,051**	**$ (1,681,481)**

Revenues

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

In FY2016, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. This reduced the amount of tuition revenue collected by the College. The Legislature did however backfill a portion of this loss as seen in the graph regarding final state operation allocations.

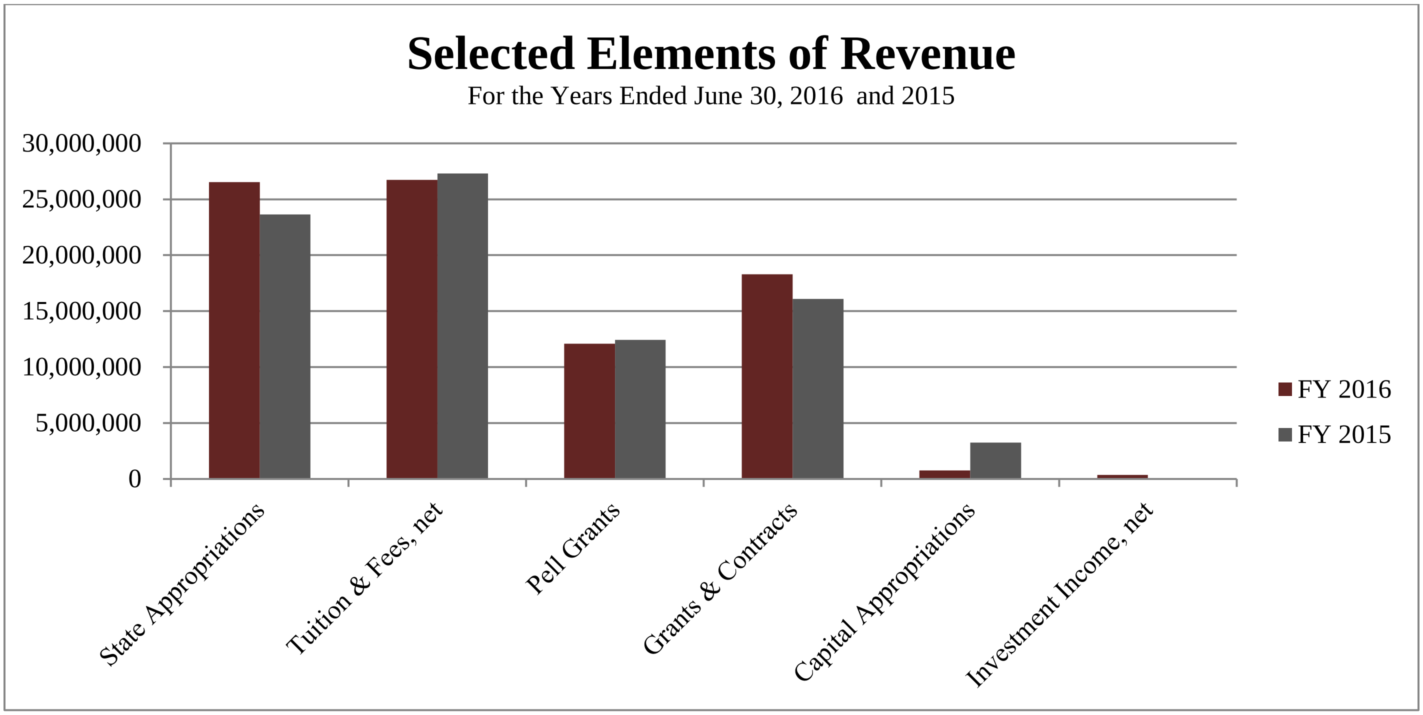


In FY2016, the College's decrease in tuition and fee revenue is primarily attributable to a 1.88% decline in enrollment. In addition, the College serves contracted students on a fee-only basis, as allowed by law. These enrollments also declined slightly (0.69%) in FY2016.

Pell Grant revenues generally follow enrollments trends. As the College's enrollment decreased during FY2016, so did the College's Pell Grant revenue. For FY 2016, the College attempted to keep other fees as stable as possible, resulting in only small changes in these revenues.

In FY 2016, grant and contract revenues increased by $2,205,159 when compared with FY 2015. This is primarily attributable to an increase of 19.59% in Running Start enrollments. 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 entered year three as a recipient of a Department of Education – Fund for the Improvement of Postsecondary Education grant CFDA No. 84.116.

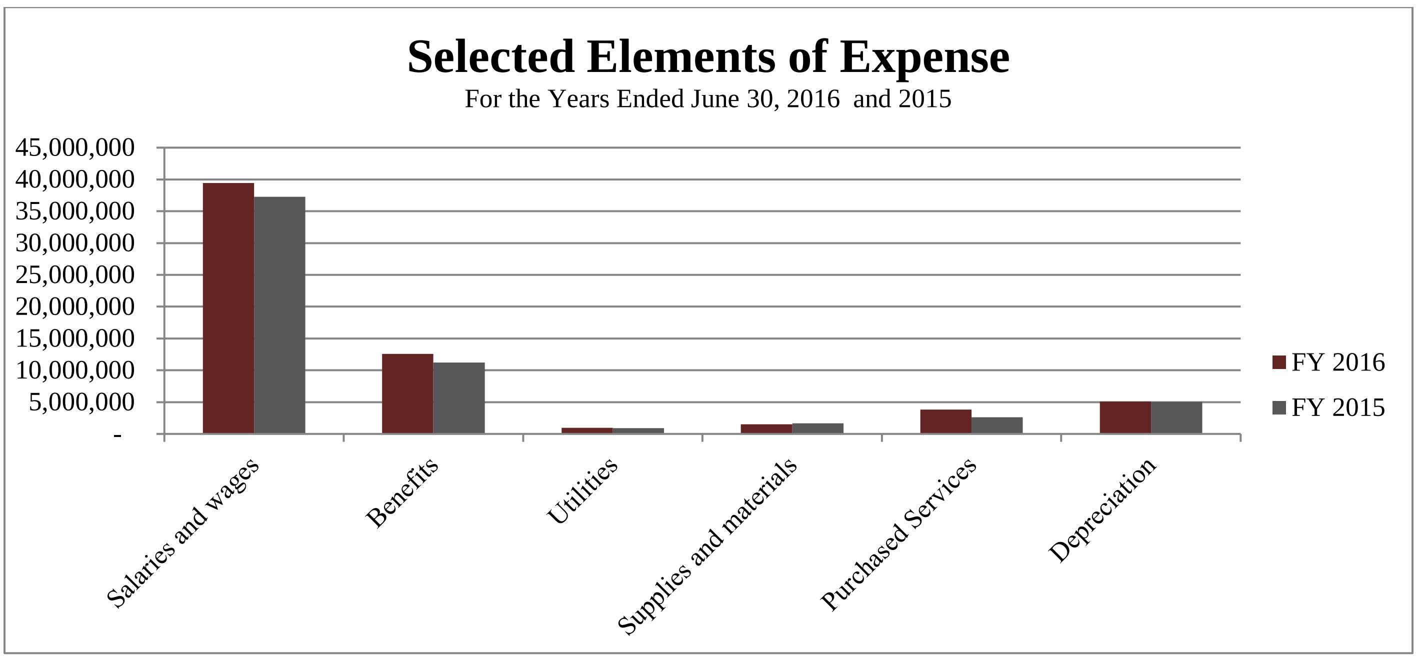
The College receives capital spending authority on a biennial basis and may carry unexpended budgeted amounts forward into one or two future biennia, depending on the original purpose of the funding. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial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



Expenses
The College has continuously sought opportunities to identify savings and efficiencies, and invest these dollars in areas that show direct correlation to mission fulfillment.

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

The College had only a slight increase in utility expenses for FY 2016 as a result of targeted efforts to reduce use, in spite of rate increases from utility providers. Supplies and materials decreased as well. Purchased services an increase in FY2016 primarily as a result of specifically targeted initiatives designed to increase institutional effectiveness. In FY 2016 depreciation increase slightly. All other costs are reported as operating expenses. Examples include: printing and reproduction; employee training; travel; and non-capitalizable equipment, hardware and software.



Statement of Cash Flows
The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spend for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Capital Assets and Long-Term Debt Activities
At June 30, 2016, the College had invested $156,811,790 in capital assets, net of accumulated depreciation. This represents a decrease of $4,346,914 from last year, as shown in the table below.

	June 30, 2016	June 30, 2015	Change
Land	$ 726,552	$ 726,552	$ 0
Buildings, net	152,001,581	156,055,451	(4,053,870)
Other improvements and infrastructure, net	1,688,370	1,823,880	(135,510)
Equipment, net	1,926,793	2,077,053	(150,260)
Library resources, net	468,494	475,768	(7,274)
Total capital assets, net	**$ 156,811,790**	**$ 161,158,704**	**$ (4,346,914)**

A summary of changes in capital assets is disclosed in Note 5.

The decrease in net capital assets can be attributed to depreciation of the Pierce College Fort Steilacoom Rainier Science and Technology Building completed in FY 2010, the Pierce College Puyallup Arts and Allied Health Building completed in FY 2010, as well as the completion of major improvements related to the Pierce College Fort Steilacoom Cascade Core Renovation Project (Phase 2) in FY 2013.

At June 30, 2016, the College had $5,370,000 in outstanding debt. The College entered into a Certificate of Participation (COP) for the Pierce College Fort Steilacoom Health Education Center (HEC) during FY 2006 as well as the Pierce College Puyallup Health Education Center (HEP) in FY2007. In FY2016 both COPs were refunded by the state of Washington with new bond issuances at lower interest rates.

See Note 9 for additional information on certificates of participation payable and Note 10 on long-term debt activities.

Economic Outlook

In FY2017, the State Board for Community and Technical College's moved to a new allocation model, changing how the state allocated funds are distributed to each college. The new model will be based on performance in several key indicators from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state.

It's unclear how much opportunity there may be for additional investments in community and technical colleges in the next few years, as state budget writers continue to grapple with court-mandated basic education obligations, therefore this new allocation model may be the only significant change that could affect the College's state allocation funding.

Pierce demonstrates financial stability with sufficient cash flow and reserves to support its programs and services. Financial planning reflects available funds, realistic development of financial resources and appropriate risk management to ensure short-term solvency and anticipate long-term obligations, including payment of future liabilities.

Pierce's financial position is one of low capital debt, no operating debt, stable operating budget, and overall reserves that translate to almost four-and-one-half months of operating costs. Pierce's annual operating budget is approximately $50 million. While Pierce's overall budget has varied over the past five years due to the natural cycles of capital expenditures, the remainder of the budget has been steady. Pierce develops and adheres to a balanced operating budget each year. A financial dashboard report is prepared for each Board of Trustees meeting; this includes the district's current position on key elements, including any new budget resources received during the year, budget to actual spending, state-funded and Running Start enrollments, cash tuition collections, and major capital project obligations and spending.

Beginning with the annual operating budget development process, and continuing throughout the year, Pierce monitors revenue collected in comparison with models used to estimate key resources. These include the district's state allocation, tuition, Running Start payments from local high schools, and reimbursements of indirect costs from Military and International contracted programs. In addition, the district reviews cash balances and cash demands frequently. Pierce maintains available (pooled) cash sufficient to accommodate expected cash expenditures. The district invests balances that exceed expected obligations in a mixture of short and mid-term investments, providing sufficient liquidity if unexpected needs arise

In developing the annual operating budget, issues of long-term obligations and solvency are considered. Efforts to formalize long-term planning have been hampered by the unpredictability of state funding, which continues to represent the largest resource available to the district. Pierce's largest investment is its employees, with salaries and benefits accounting for approximately 88% of each year's operating budget.

Reductions in state funding have required Pierce to make difficult choices over the past few years, strategically eliminating some programs and services. At the same time, Pierce sought or reallocated resources to support emerging programs and reorganize or increase services designed to help our students succeed. During the budget process, Pierce continues to examine its efforts and redirect resources in response to actual results and outcomes, through its participation in Achieving the Dream and Institutional Effectiveness work.

The volatility and unpredictability of state funding contributes to Pierce's conservative approach to debt and reserves. Pierce currently has only two long-term liabilities, incurred to construct Health Education Centers at each college; students voted to create a dedicated fee to help pay for design, construction and debt service for these facilities. The anticipated revenue from these fees is pledged to pay the principal and interest on certificates of participation (COP) (bond-like instruments held by the State Treasurer's Office). Current cash balances in these accounts are sufficient to meet approximately two years of scheduled repayments. The revenue stream supporting these accounts is reviewed at least annually and continues to be sufficient to make payments during the repayment period, even when likely fluctuations in enrollment levels due to economic cycles are considered.

The state of Washington continues to address the requirement of the Supreme Court's 2012 McCleary ruling that found that the state has failed to meet its constitutional requirement to sufficiently fund basic education. Progress was made during the 2013-15 biennium but did not satisfy the court. The ruling, scheduled for full implementation in 2018, may have an impact on state appropriations for higher education.

Pierce College
Statement *of* Net Position
As of June 30, 2016

Assets	
Current assets	
Cash and cash equivalents	$17,206,550
Accounts receivable, net	8,375,597
Interest receivable	12,948
Prepaid expenses	23,285
Total current assets	25,618,380
Non-current assets	
Long-term investments	17,636,052
Student loans receivable	93,685
Capital assets, net	156,811,790
Total non-current assets	174,541,527
Total assets	**200,159,907**
Deferred outflows of resources related to pensions	2,144,108
Total deferred outflows of resources related to pensions	**2,144,108**
Liabilities	
Current liabilities	
Accounts payable	3,983,414
Accrued liabilities	3,041,744
Deposits payable	2,900
Unearned revenue	3,781,689
Certificates of participation payable	375,000
Total current liabilities	11,184,747
Non-current liabilities	
Compensated absences	4,721,818
Net Pension liabilty	10,356,863
Long-term liabilities	4,995,000
Total non-current liabilities	20,073,681
Total liabilities	**31,258,428**
Deferred inflows of resources related to pensions	1,653,017
Total deferred inflows of resources related to pensions	**1,653,017**
Net Position	
Net Investment in Capital Assets	151,441,790
Restricted for expendable purposes:	
Institutional Financial Aid	1,332,132
Student Loans	264,720
Unrestricted	16,353,928
Total Net Position	**$169,392,570**

The footnote disclosures are an integral part of the financial statements.

Pierce College Foundation
Non-Governmental Discretely Presented Component Unit
Statement *of* Financial Position
As of December 31, 2015

	2015
ASSETS	
Cash	$ 258,015
Investments	1,386,987
Accounts receivable	1,974
Construction in progress	1,096,325
TOTAL ASSETS	$ 2,743,301
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	$ 544,394
Note payable	567,401
TOTAL LIABILITIES	1,111,795
Net Assets:	
Unrestricted	369,467
Temporarily restricted net assets	887,464
Permanently restricted net assets	374,575
TOTAL NET ASSETS	1,631,506
TOTAL LIABILITIES AND NET ASSETS	$ 2,743,301

The footnote disclosures are an integral part of the financial statements.

Pierce College
Statement *of* Revenues, Expenses *and* Changes *in* Net Position
For the year ended June 30, 2016

Operating revenues	
Student tuition and fees, net	$26,738,277
Auxiliary enterprise sales	1,236,677
State and local grants and contracts	17,208,984
Federal grants and contracts	1,097,972
Other operating revenues	158,761
Interest on loans to students	4,324
Total operating revenues	46,444,995
Operating expenses	
Operating expenses	7,513,605
Salaries and wages	39,444,717
Benefits	12,564,209
Scholarships and fellowships	14,364,655
Supplies and materials	1,522,173
Depreciation	5,088,920
Purchased services	3,819,929
Utilities	967,392
Total operating expenses	85,285,600
Net operating loss	**(38,840,605)**
Non-operating revenues (expenses)	
State appropriations	26,549,370
Federal Pell grant revenue	12,098,594
Investment income, net of expense	368,596
Building fee remittance	(1,993,082)
Innovation fund remittance	(460,266)
Interest on indebtedness	(165,269)
Net non-operating revenues (expenses)	36,397,943
Loss before capital appropriations	**(2,442,662)**
Capital appropriations	761,181
Decrease in net position	**(1,681,481)**
Net Position	
Net position, beginning of year	171,074,051
Net position, end of year	**$169,392,570**

The footnote disclosures are an integral part of the financial statements.

Pierce College Foundation
Non-Governmental Discretely Presented Component Unit
Statement *of* Activities
For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	$ 52,747	$ 83,264	$ 6,000	$ 142,011
Private grants	---	162,043	---	162,043
In-kind contributions	274,324	14,640	---	288,964
Special events, net of expense of $24,356 in 2015 and $29,542 in 2014	6,192	76,577	---	82,769
Contracts	---	74,348	---	74,348
Investment income	12,479	(285)	---	12,194
Net assets released from restriction	388,864	(388,864)	---	---
TOTAL SUPPORT AND REVENUE	734,606	21,723	6,000	762,329
EXPENSES				
In-kind salaries, payroll taxes and benefits	239,973	---	---	239,973
Scholarships	189,364	---	---	189,364
Program enhancements	132,682	---	---	132,682
Special projects	37,616	---	---	37,616
In-kind materials and supplies	35,436	---	---	35,436
Endowments	26,554	---	---	26,554
Consulting and other professional services	24,435	---	---	24,435
In-kind occupancy	13,555	---	---	13,555
Contributions to Pierce College	11,779	---	---	11,779
Investment fees	11,744	---	---	11,744
Insurance	10,980	---	---	10,980
Reimbursements	10,763	---	---	10,763
Other	9,391	---	---	9,391
Donor hosting	4,074	---	---	4,074
Other events	2,592	---	---	2,592
Outside Computer Services	1,602	---	---	1,602
TOTAL EXPENSES	762,540	---	---	762,540
CHANGE IN NET ASSETS	(27,934)	21,723	6,000	(211)
NET ASSETS, Beginning	397,401	865,741	368,575	1,631,717
NET ASSETS, Ending	$ 369,467	$ 887,464	$ 374,575	$ 1,631,506

The footnote disclosures are an integral part of the financial statements.

Pierce College
Statement *of* Cash Flows
For the year ended June 30, 2016

Cash flow from operating activities	
Student tuition and fees	$26,547,647
Grants and contracts	17,721,282
Payments to vendors	(3,946,452)
Payments for utilities	(988,900)
Payments to employees	(39,029,581)
Payments for benefits	(13,195,370)
Auxiliary enterprise sales	1,266,355
Payments for scholarships and fellowships	(14,364,655)
Collection of loans to students and employees	31,861
Other receipts	(10,613,393)
Net cash used by operating activities	**(36,571,206)**
Cash flow from noncapital financing activities	
State appropriations	23,998,177
Federal Pell grants	12,098,594
Building fee remittance	(2,046,004)
Innovation fund remittance	(474,817)
Net cash provided by noncapital financing activities	**33,575,950**
Cash flow from capital and related financing activities	
Capital appropriations	2,359,087
Purchases of capital assets	(736,246)
Principal paid on capital debt	(225,000)
Interest paid on capital debt	(165,269)
Net cash provided by capital and related financing activities	**1,232,572**
Cash flow from investing activities	
Purchases of investments	(8,252,968)
Proceeds from sales and maturities of investments	9,598,028
Investment income	368,596
Net cash provided by investing activities	**1,713,656**
Net increase (decrease) in cash and cash equivalents	(49,027)
Cash and cash equivalents, beginning of year	17,255,577
Cash and cash equivalents, end of year	**$17,206,550**

Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	($38,840,605)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	5,088,920
Receivables , net	(3,681,786)
Inventories	(15,094)
Other assets	(1,580)
Accounts payable	1,297,266
Accrued liabilities	581,580
Unearned Revenue	(310,825)
Compensated absences	53,704
Pension liability adjustment expense	(759,338)
Deposits payable	(10,985)
Loans to students and employees	27,537
Net cash used by operating activities	($36,571,206)

Noncash investing, capital and financing activities	
Increase in fair value of investments	$166,738
Debt Refunding	(1,015,000)

The footnote disclosures are an integral part of the financial statements.

Pierce College Foundation
Non-Governmental Discretely Presented Component Unit
Statement *of* Cash Flows
For the year-ended December 31, 2015

		2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers, contributions, and Pierce College	$	453,815
Cash paid to suppliers and Pierce College		(480,775)
Interest and dividends received		35,803
NET CASH PROVIDED BY OPERATING ACTIVITIES		8,843
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of construction in progress		(3,684)
Purchases of investments		(304,482)
Proceeds from redemption of investments		280,783
NET CASH USED BY INVESTING ACTIVITIES		(27,383)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions permanently restricted		6,000
NET CASH PROVIDED BY FINANCING ACTIVITIES		6,000
NET INCREASE (DECREASE) IN CASH		(12,540)
CASH, Beginning		270,555
CASH, Ending	$	258,015

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$	(211)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized loss (gain) on investments		23,609
Contributions permanently restricted		(6,000)
Net change in discounts and allowance on		
(Increase) decrease in:		
Accounts receivable		(1,356)
Increase in:		
Accounts payable		(7,199)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	8,843

DISCLOSURE OF ACCOUNTING POLICY AND NONCASH TRANSACTIONS

For purposes of these financial statements, the Foundation considers cash to include cash in banks and liquid investments with original maturities of three months or less. For the year ended December 31, 2015, noncash transactions consisted of $288,964 of donated materials and services and $567,401 of financing and $525,240 of payables in connection with the acquisition of the Center for Global Scholars building. For the year ended December 31, 2014, noncash transactions consisted of $344,650 of donated materials and services.

The footnote disclosures are an integral part of the financial statements.

Pierce College
Notes to the Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies

Reporting Entity

Pierce College's governing board is appointed by the State Governor, and the governing board of Pierce College appoints a chancellor to function as Chief Executive Officer. The State Legislature approves budgets and budget amendments for the appropriated funds of Pierce College. The State Treasurer may issue general obligation debt for major campus construction.

Pierce College does not have separate corporate powers and sue or are sued as a part of the state with legal representation provided through the state Attorney General's Office. Since Pierce College is legally part of the state, Pierce College's financial operations are reported in the state's financial statements using the fund structure prescribed by the GASB.

Nature of Organization

Pierce College, an agency of the state of Washington, is a coeducational institution of higher education and one of thirty public community and technical college districts in the state of Washington.

Pierce's policy-making body is a five-member Board of Trustees appointed by the Governor to five-year terms. The Pierce College Board of Trustees is charged with the responsibility and the authority for operation of Community College District 11 as prescribed in RCW 28B.50.140 and other statues. The Board of Trustees has the responsibility to establish policy and to evaluate the success of Pierce's operation to include financial reviews, approve fundraising goals and plans, and direct strategic planning efforts.

Fifty years ago, Pierce College began creating life-changing possibilities for students out of a makeshift building in Lakewood. Today, the district encompasses two colleges in Lakewood and Puyallup, education centers at Joint Base Lewis McChord, virtual education through its distance learning program, and extensive community education opportunities.

Pierce College District covers more than 1,000 square miles in western Washington. The district includes all of Pierce County except the City of Tacoma and the Gig Harbor peninsula (the Tacoma and Peninsula School Districts). Pierce serves a population characterized by diversity and high mobility. The population in Pierce County is growing rapidly, even when compared to other areas of Washington State, which is projected to be the fourth fastest-growing state in the nation over the next decade.

During the 2015-16 academic year, Pierce District enrolled 15,957 students (unduplicated count) across all program areas and locations, generating 8,609 full time equivalent students. Of these, 49% were enrolled in an academic transfer program, 35% a Professional/Technical degree or certificate program, 5% in Basic Skills courses, and 11% in courses for personal interest. Students enrolled for an average of 12.1 credits. Of the 2015-16 student body, 60.5% of students were female; 51.1% were under the age of 26; 10.9% enrolled in Running Start (dual enrolled in high school and college); 49.8% reported their race/ethnicity as white, 14.1% as Hispanic/Latino, 8.5% as African American, 8.5% as Asian/Pacific Islander, 6.6% as multiracial or other, 1% as Native American, 3.6% as international students, and 8% chose not to disclose their race/ethnicity.

Across the district, employees function with a strong focus on mission, vision, and Core Themes. While each location has areas of singularity, a shared governance structure that engages students, faculty, and staff from all corners of the district creates a unified identity while serving the needs of each location equitably. Further, as a matrix organization, faculty and staff actively participate in operational teams that encourage innovation, engagement, and action, which complement the more traditional hierarchical structures. While complex, Pierce College works to provide multiple contexts in which each member of the organization can contribute to mission fulfillment.

We are proud of the academic excellence and student success that has filled the past 50 years, and look forward to creating even more opportunities for a diverse community of learners to thrive in an evolving world. Our 50th year provides a wonderful opportunity for us to reflect on the past, celebrate the present and move forward with a renewed dedication to our community and out students.

Discretely Presented Component Units

The Pierce College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 2003 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to build relationships with the community and acquire resources to support academic excellence and educational access at Pierce College. 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 Pierce College Foundation is governed by an independent Board consisting of community members; Pierce has a Memorandum of Understanding with the Foundation which addresses the type and value of support provided to the foundation by the district, and expectation of foundation support to district programs. In 2015, the Foundation purchased and began renovation on a 63-student residence hall for Pierce College students. The relationship with the district relative to the use of the residence hall is governed by a separate Memorandum of Understanding.

The Pierce College Fiscal Services Office performs accounting services to the Foundation, and coordinates the annual audit, which is performed by an accounting firm. The Fiscal Services Office also provides the foundation with advice concerning the conduct of fundraising campaigns, classification of donations and provides reports to the foundation Board on a regular basis.

The Foundation's financial statements are discretely presented in this report. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2016, the Foundation distributed $339,914 to the College for restricted and unrestricted purposes. The Foundation has a year-end of December 31st. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 1601 39th Avenue SE, Puyallup, WA 98374.

Joint Ventures

INVISTA Performance Solutions (IPS) is a collaboration of four Pierce County Community Colleges: Clover Park Technical College, Pierce College Fort Steilacoom, Pierce College Puyallup, and Tacoma Community College.

Launched in September 2011, IPS, a partnership of colleges, operates as a single point of contact for regional business to access workforce development services. Their mission is to help companies gain a competitive advantage in the global economy by increasing the skills of their workforce. They offer high quality training and learning solutions to meet and exceed client expectations.

IPS is also a member of Global Corporate College and actively works with 45 colleges across the United States and internationally to serve companies with an expanded footprint. IPS has a successful history of delivering high-quality facilitation, coaching, courses, and seminars that are personalized to the performance goals of each business they serve.

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

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows, deferred outflows, revenues and expenses, and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Basis of Accounting
For financial reporting purposes, the College, along with the Pierce College Foundation, its discretely presented component unit, is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements are presented 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. Student tuition and fees are presented net of scholarships and fellowships applied to student accounts, while payments made directly are presented as scholarship and fellowship expenses.

The Pierce College Foundation (the Foundation) is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including Accounting Standards Codification Topic 958, Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for those differences.

Adoption of New Accounting Standards
The GASB issued Statement No. 72, *Fair Value Measurement and Application*, in February 2015 which was effective the year ended June 30, 2016. This statement provides guidance for determining fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Statement establishes a three-level

hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about fair values measurements, the level of fair value hierarchy, and valuation techniques. There was no impact to the fair value measurements presented in the Statements of Net Position or Statements of Revenues, Expenses and Changes in Net Position of the College as a result of implementing this Statement. College disclosures related to fair value measurement, however, have been updated where necessary.

See Note 2 for the impact of adoption.
In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which identifies the hierarchy of generally accepted accounting principles (GAAP). The Statement reduced the GAAP hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The College adheres to this hierarchy of GAAP.

Cash, Cash Equivalents and Investments
The amounts shown in the financial statements in College funds as "cash and cash equivalents" represent petty cash, cash on deposit in banks, certain funds invested with Charles Schwab, and deposits with the Washington State Local Government Investments Pool (LGIP). Cash equivalents are short term, highly liquid investments convertible to known amounts of cash without change in value or risk of loss.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated for general operating needs of the College. The internal investment pool is comprised of cash, cash equivalents and investments and securities as authorized by RCW 39.60.50.

Receivables
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. Accounts receivable are shown net of estimated uncollectible receivables.

Student loan receivable consists of amounts due from the Federal Perkins Loan Program.

Prepaid Items
Expenditures for prepaid airline tickets paid for in the current year and benefiting more than one accounting period are allocated among accounting periods.

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. As this is the first institution-level financial statement prepared by the college, GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives range from 15 to 50 years for buildings and improvements, 3 to 50 years for improvements other than buildings, 5 to 7 years for library resources, 2 to 10 years for most equipment, and 11 to 40 years for heavy duty equipment, aircraft, locomotives, and vessels.

The college reviews assets for impairment whenever events or changes in circumstances have indicated there is a reduction in the service utility of those assets. At June 30, 2016, no assets had been written down.

Unearned Revenues
Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. The College has recorded summer and fall quarter tuition and fees, and rental deposits as unearned revenues.

Income Taxes
The College, as an agency of the state of Washington, is not subject to federal income tax pursuant to Section 115 of the Internal Revenue Code, except for tax on unrelated business income and certain federal excise taxes.

The Internal Revenue Service has determined that the Pierce College Foundation qualifies as an exempt organization under Internal Revenue Code Section 501(c)(3) and as such are exempt from taxation on related income.

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

Deferred outflows on pensions are recorded when 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.

See Note 12 for additional information regarding deferred outflows and deferred inflows of resources.

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 reports at fair value.

Net Position

The College's net position is classified as follows.

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

Restricted for Institutional Financial Aid. The institutional financial aid funds are established for the explicit purpose of providing institutional financial aid as prescribed by RCW 28B.15.820.

Restricted for Student Loans. The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.

Unrestricted. These represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose. When an expense is uncured that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

Classification of Revenues and Expenses

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

> *Operating Revenues*. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts which includes Running Start revenue and various grants for funding student tuition and operations.
>
> *Operating Expenses.* Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation.
>
> *Non-operating Revenues*. This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, Federal Pell grant revenue, state appropriations and investment income.
>
> *Non-operating Expenses.* Non-operating expenses include state remittance related to the building fee and the innovation fee, and loss of disposal, in any.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2016 are $6,198,058.

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 35^{th} day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

2. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

The LGIP portfolio is invested in a manner that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that wish to measure all of its investments at amortized costs. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP, which approximates amortized cost.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, Washington 98504-0200, or online at: http://www.tre.wa.gov/lgip/cafr/LgipCafr.shtml. In addition, more information is available regarding the LGIP in the Washington State Consolidated Annual Financial report, which can be found online at http://www/ofm/wa/gov/cafr/.

The College can contribute or withdraw funds in any amount from the LGIP on a daily basis. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The College adjusts its LGIP investment amounts monthly to reflect interest earnings as reported from the Office of the State Treasurer.

As of June 30, 2016, the carrying amount of the College's change funds, petty cash, and bank demand deposit accounts with financial institutions was $17,206,550 as represented in the table below.

Cash and Cash Equivalents

	2016
Cash	$ 9,111,899
Cash equivalents	8,094,651
Cash and cash equivalents	**$ 17,206,550**

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. 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). The majority of the College's demand deposits are with the Key Bank.

Investments

Fair Value Hierarchy

Fair value measurement determination is based on the assumptions that market participants would use in pricing the asset. Fair value is described as an exit price. As such, the fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the College's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs) as a basis for considering market participant assumptions in fair value measurements. The fair value hierarchy prioritizes the inputs discussed above as follows:

> *Level 1 inputs (quoted market price*s) - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date (for example prices derived from NYSE, NASDAQ and the Chicago Board of Trade). Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment. If a level 1 input is available for a particular investment, it must be used to value that investment.
>
> *Level 2 inputs (observable inputs)* - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed on market data obtained from sources independent of the College (e.g. matrix pricing, yield curves and indices).
>
> *Level 3 inputs* - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Unobservable inputs are those that reflect the College's own assumptions about the assumptions that market participants would use in pricing the asset developed, based on the best information available in the circumstances (e.g. investment manager pricing for private placements, private equities and hedge funds).

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. All of the College’s investments fall within the hierarchy of Level 1.

College Investments by Type

Investments are classified as cash equivalents and short-term or long-term investments. The carrying amount of College invested assets includes cash equivalents and long-term investments as represented below.

College Investments by Type

College investments	Fair value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Cash Equivalents					
Money Market Funds	$ 1,019,596	$1,019,596	$ -	$ -	$ -
Local Government Investment Pool	7,075,055	7,075,055	-	-	-
Total cash equivalents	**8,094,651**				
Long-term investments					
Agency Securities	6,209,210	-	6,209,210	-	-
Mortgage Pools	7,711,941	-	-	378,863	7,333,078
CMO & Asset Backed Securities	3,714,901	-	765,008	864,226	2,085,667
Total long-term investments	**17,636,052**				
Total college investments	**$25,730,703**				

Interest Rate Risk—Investments

The College manages exposure to fair value losses arising from increasing interest rates by segmenting investments into short-term, intermediate-term and long-term pools.

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, 2016, $18,655,648 of the College's operating fund investments, held by Key Banc and Charles Schwab as agent for the College are exposed to custodial credit risk as follows.

Investments Exposed to Custodial Credit Risk

Outside party	**Fair value**
Key Banc	$ 2,004,603
Charles Schwab	16,651,045
Total investment exposed to custodial risk	**$ 18,655,648**

Investment Expenses

Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2016 were $62,302.

3. Accounts Receivable

Accounts receivable for the year ended June 30, 2016 were comprised of the following balances:

Accounts Receivable

Student tuition and fees	$ 1,615,494
Due from the federal government	435,585
Due from the office of the state treasurer	3,231,248
Due from other state agencies	420,572
Auxiliary enterprises	14,037
Due from other governments	2,748,010
Other	3,249
Subtotal accounts receivable	8,468,195
Less allowance for doubtful accounts	(92,598)
Accounts receivable, net	**$ 8,375,597**

4. Student Loans Receivable

As of June 30, 2016, the amount of the College's loans receivable for the Federal Perkins Loan Program, CFDA No. 84.038, was $93,685.

5. Capital Assets

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

	Beginning balance	Additions/transfers	Retirements	Ending balance
Capital assets, non-depreciable				
Land	$ 726,552	$ 0	$ 0	$ 726,552
Total capital assets, non-depreciable	726,552	0	0	726,552
Capital assets, depreciable				
Buildings	200,707,775	181,412	0	200,889,187
Other improvements and infrastructure	2,960,257	0	0	2,960,257
Equipment	5,117,112	455,142	(27,014)	5,545,240
Library resources	780,294	105,452	0	885,746
Total capital assets, depreciable	209,565,438	742,006	(27,014)	210,280,430
Less accumulated depreciation				
Buildings	44,652,324	4,235,282	0	48,887,606
Other improvements and infrastructure	1,136,377	135,510	0	1,271,887
Equipment	3,040,059	605,402	(27,014)	3,618,447
Library resources	304,526	112,726	0	417,252
Total accumulated depreciation	49,133,286	5,088,920	(27,014)	54,195,192
Total capital assets, depreciable, net	160,432,152	(4,346,914)	0	156,085,238
Capital assets, net	**$ 161,158,704**	**$ (4,346,914)**	**$ 0**	**$ 156,811,790**

The current year depreciation expense was $5,088,920. The College has commitments of $4,313,078 for various capital improvement projects that include renovations and repairs of existing buildings.

6. Unearned Revenue

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

Unearned Revenue

Summer & Fall quarter tuition & fees	**$** 3,781,489
Other deposits	200
Total unearned revenue	**$ 3,781,689**

7. Lease Obligations

The College is obligated under various operating leases for the use of equipment. All operating leases are with parties outside state government.

Future commitments for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2016 were as follows:

Operating Leases

Year	**Future Payments**
2017	$ 34,093
2018	2,599
2019	2,599
Total minimum lease payments	$ 39,291

In the current fiscal year, Pierce College incurred expenses of $128,573 for office copier contingent rentals on a cost-per-copy basis.

8. Compensated Absences

The accrued leave liability balance as of June 30, 2016 is $4,721,818. The components of this liability include vacation and sick leave earned and unused for exempt professionals, civil service employees and faculty on annual appointments. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an estimate of one-fourth the total balance on the payroll records.

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes.

For reporting purposes, all annual and sick leave is shown as a non-current liability. Compensatory time is categorized as a current liability since it must be used before other leave.

Compensated Absences

Accrued annual leave	$ 1,968,813
Accrued sick leave	2,753,005
Total compensated absences	**$ 4,721,818**

9. Certificates of Participation Payable

In April 2006, the College obtained financing in order to renovate and expand the Pierce College Fort Steilacoom Health Education Center (HEC) Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $5,150,000. Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 2004. The interest rate charged is 4.452%.

In June 2007, the College obtained financing in order to build the Pierce College Puyallup Health Education Center (HEP) Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $4,690,000. Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 2004. The interest rate charged is 4.419%.

In October 2015 and March 2016, the state of Washington refunded the outstanding amounts of the COPs above totaling $6,610,000 (Pierce College portion) with new bond issuances totaling 5,595,000 and a premium of 962,759. The refunded bonds had an average interest rate and coupon rate of 4.436%; the new bonds have an average coupon rate of 2.128%. These refundings will save the college $622,282 over the life of the COPs.

Student fees related to these COP(s) are accounted for in dedicated accounts, which are used to pay principal and interest, not coming out of the general operating budget.

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

10. Annual Debt Service Requirements

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

Fiscal year	Principal	Interest	Total
2017	$ 375,000	$ 295,607	$ 670,607
2018	430,000	247,700	677,700
2019	450,000	228,250	678,250
2020	470,000	205,750	675,750
2021	490,000	182,250	672,250
2022-2026	2,850,000	516,750	3,366,750
2027	305,000	15,250	320,250
Total	**$ 5,370,000**	**$ 1,691,557**	**$ 7,061,557**

11. Schedule of Long Term Liabilities

	Balance outstanding 06/30/2015	Additions	Reductions	Balance outstanding 06/30/2016	Current Portion
Certificates of Participation	$ 6,610,000	$ 5,595,000	$ 6,835,000	$ 5,370,000	$ 375,000
Compensated Absences	4,668,114	1,561,202	1,507,498	4,721,818	-
Net Pension Liability	8,394,514	4,955,578	2,993,229	10,356,863	-
Total	**$ 19,672,628**	**$ 12,111,780**	**$ 11,335,727**	**$ 20,448,681**	**$ 375,000**

12. 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 FY 2016, the payroll for the College's employees is $12,333,082 for PERS, $856,944 for TRS, and $21,405,000 for SBRP. Total covered payroll is $34,242,104.

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 respected on the same basis as they are reported by the plans.

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

Aggregate Pension Amounts – All plans

Pension liabilities	$ (10,356,863)
Deferred outflows of resources related to pensions	2,144,110
Deferred inflows of resources related to pensions	(1,653,017)
Pension expense	714,794

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

The DRS administered systems that the College offers its employees are comprised of 4 defined benefit pension plans and two defined benefit/defined contribution plans. Below are the DRS plans that the College offers its employees:

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

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

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

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

Retirement Plans
PERS
Plan Description. The Legislature established the PERS Plan in 1947. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases to eligible nonacademic plan members hired prior to October 1, 1977. Entrance to PERS Plan 1 is closed to new employees. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested after five years of eligible service. PERS Plan 3 has a defined contribution component that members may elect to self-direct as established by the Employee Retirement Benefits Board. PERS 3 defined benefit plan benefits are vested after an employee completes ten years of eligible service.

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

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

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

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

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

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

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

TRS

Plan Description. The Legislature established the TRS Plan in 1938. TRS Plans 1 and 2 are defined benefit plans. TRS Plan 1 was closed to new entrants on September 30, 1977. Employees currently have a choice of entering TRS Plan 2 or 3. TRS Plan 2 and 3 provide retirement benefits to certain eligible faculty hired on or after October 1, 1977. TRS Plan 3 includes both a defined benefit portion and a defined contribution portion. The defined benefit portion is funded by employer contributions only. Benefits are vested after an employee completes five or ten years of eligible service, depending on the employee's age and service credit, and include an annual cost-of living adjustment. The defined contribution component is fully funded by employee contributions and investment performance. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

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

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

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

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

TRS Plan 2 retirement benefits are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

TRS Plan 2 members have the option to retire early with reduced benefits. The AFC is the average of the member's 60 highest paid consecutive months.

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

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

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

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

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

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

	FY2014		**FY2015**		**FY2016**	
	Employee	**College**	**Employee**	**College**	**Employee**	**College**
PERS						
Plan 1	6.0%	9.21%	6.0%	9.21%	6.00%	11.18%
Plan 2	4.92%	9.21%	4.92%	9.21%	6.12%	11.18%
Plan 3	5.0-15.0%	9.21%	5.0-15.0%	9.21%	5.0-15.0%	11.18%
TRS						
Plan 1	6.00%	10.39%	6.00%	10.39%	6.00%	13.13%
Plan 2	4.96%	10.39%	4.96%	10.39%	5.95%	13.13%
Plan 3	5.0-15.0%	10.39%	5.0-15.0%	10.39%	5.0-15.0%	13.13%

The College's actual retirement contributions to the above plans for the fiscal years ended June 30, 2014, 2015, and 2016 were:

	FY2014		FY2015		FY2016	
	Employee	**College**	**Employee**	**College**	**Employee**	**College**
PERS						
Plan 1	26,654	41,208	23,096	35,452	20,780	38,745
Plan 2	394,789	738,569	405,677	759,394	533,065	973,745
Plan 3	180,540	274,891	184,598	283,892	187,696	352,949
TRS						
Plan 1	554	959	553	957	-	-
Plan 2	4,381	8,935	4,737	9,923	7,629	16,770
Plan 3	19,495	30,456	28,517	48,325	47,325	92,420

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

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB adopted investment policies for the various asset classes in which the WSIB invests. For the year ended June 30, 2015, the annual money-weighted rate of return on the pension investments, net of pension plan expenses are as follows:

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

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

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

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

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

Net Pension Liability

At June 30, 2016 the College reported liabilities of $10,356,863 for its proportionate share of the net pension liability. The proportions are based on the College's contributions to the pension plan relative to the contributions of all participating employees. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2014 projected forward to June 30, 2015.

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

Pension Liability by Plan

PERS 1	$ 5,499,852
PERS 2/3	4,484,795
TRS 1	294,764
TRS 2/3	77,452
Total	**$ 10,356,863**

Pension Expense

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

	PERS 1	**PERS 2/3**	**TRS 1**	**TRS 2/3**	**Total**
Actuarially determined pension expense	$ 327,782	$ 531,469	$ 14,874	$ 22,004	$ 896,129
Amortization of change in proportionate liability	(199,665)	35,895	(19,691)	2,126	(181,335)
Total Pension Expense	$ 128,117	$ 567,364	$ (4,817)	$ 24,130	$ 714,794

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2016 the College reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

Washington State Public Employees Retirement System (PERS Plan 1)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		
Difference between expected and actual earnings of pension plan investments		$ 300,902
Changes of Assumptions		
Changes in College's proportionate share of pension liabilities		
Contributions to pension plans after measurement date	$ 638,801	
Total outflows and inflows of resources	**$ 638,801**	**$ 300,902**

Washington State Public Employees Retirement System (PERS Plan 2/3)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 476,735	
Difference between expected and actual earnings of pension plan investments		$ 1,197,227
Changes of Assumptions	7,226	
Changes in College's proportionate share of pension liabilities	159,272	94,567
Contributions to pension plans after measurement date	724,802	
Total outflows and inflows of resources	**$ 1,368,034**	**$ 1,291,794**

Washington State Teachers Retirement System (TRS Plan 1)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		
Difference between expected and actual earnings of pension plan investments		$ 21,817
Changes of Assumptions		
Changes in College’s proportionate share of pension liabilities		
Contributions to pension plans after measurement date	$ 54,461	
Total outflows and inflows of resources	**$ 54,461**	**$ 21,817**

Washington State Teachers Retirement System (TRS Plan 2/3)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 12,260	
Difference between expected and actual earnings of pension plan investments		$ 30,049
Changes of Assumptions	67	
Changes in College’s proportionate share of pension liabilities	14,417	8,454
Contributions to pension plans after measurement date	56,070	
Total outflows and inflows of resources	**$ 82,815**	**$ 38,504**

The $1,474,134 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
2017	$ (116,619)	$ (321,508)	$ (8,462)	$ (7,397)	$ (453,986)
2018	(116,619)	(321,508)	(8,462)	(7,397)	(453,986)
2019	(116,619)	(353,363)	(8,462)	(7,397)	(485,842)
2020	48,956	303,821	3,568	8,010	364,355
2021		43,996		1,302	45,298
2022				1,121	1,121
	$ (300,902)	**$ (648,562)**	**$ (21,817)**	**$ (11,759)**	**$(983,040)**

Changes in Proportionate Shares of Pension Liabilities
The changes to the College's proportionate share of pension liabilities from 2014 to 2015 for each retirement plan are listed below:

Year ended June 30	2014	2015
PERS Plan 1	0.108664%	0.105141%
PERS Plan 2/3	0.128456%	0.125517%
TRS Plan 1	0.009872%	0.009304%
TRS Plan 2/3	0.010150%	0.009179%

Actuarial Assumptions and Methods
The total pension liability was determined by an actuarial valuation as of June 30, 2015 with the results rolled forward to the June 30, 2015 measurement date 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, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout 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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS Plan 1	$ 6,696,084	$ 5,499,852	$ 4,471,202
PERS Plan 2/3	13,113,773	4,484,795	(2,122,090)
TRS Plan 1	370,538	294,764	229,604
TRS Plan 2/3	327,709	77,452	(108,593)

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 100% matched by the College. Employee and employer contributions for the year ended June 30, 2016 were $1,746,191 for employees and $1,746,307 for employer.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2016, supplemental benefits were paid by the SBCTC on behalf of the system as a total in the amount of $766,692. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2016, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $105,831. As of June 30, 2016, the Community and Technical College system accounted for $10,439,441 of the fund balance.

Washington State Deferred Compensation Program

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

Other Post-Employment Benefits

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

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The health care premiums for active employees, which are paid by the agency during the employees' working careers, subsidize the "underpayments" of retirees.

An additional factor in the Other Post-Employment Benefits (OPEB) obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit" subsidy). This explicit subsidy is also passed through to state agencies via active employee rates charged to the agency.

There is no formal state or College plan that underlies the subsidy of retiree health and life insurance.

Actuarial studies, performed every two years by the Washington Office of the State Actuary, calculated that the total OPEB obligation of the state of Washington at January 1, 2015 was $5.3 billion. The annual required contribution was $498 million for the state of Washington for 2015. The actuary calculated the OPEB obligation based on individual state employee data, including age, retirement eligibility and length of service. The probability of an employee of a given age and length of service retiring and receiving OPEB benefits is based on statewide historical data.

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 $22,306,431, with an annual required contribution (ARC) of $2,219,759. The ARC represents the amortization of the liability for FY 2016 plus the current expense for active employees, which is reduced by the current contributions of approximately $322,823. The College's net OPEB obligation at June 30, 2016 was approximately $5,144,349. This amount is not included in the College's financial statements.

The College paid $6,690,867 for healthcare expenses in 2016, which included its pay-as-you-go portion of the OPEB liability.

The State Actuary's report is available at: http://osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm

13. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The College included $47,929 and $759,338 for compensated absences and pension expense with institutional support for the purpose of this table as well as $603,380 for the settlement in *Moore v. HCA*, discussed in Note 17. The following table lists operating expenses by program for the year ending June 30, 2016.

Operating Expenses by Program
Expenses by Functional Classification

Instruction	$ 28,486,371
Academic support services	9,065,149
Student services	10,334,719
Institutional support	10,753,928
Operations and maintenance of plant	5,966,279
Scholarships and other student financial aid	12,942,927
Auxiliary enterprises	2,647,307
Depreciation	5,088,920
Total operating expenses	$ 85,285,600

14. Joint Venture

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to ongoing control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The College participates in the following joint venture:

INVISTA Performance Solutions (IPS) – The College is a participant with Clover Park Technical College, and Tacoma Community College in IPS, a joint venture established by a memorandum of understanding to operate as a single point of contact for regional business to access workforce development services. Their mission is to help companies gain a competitive advantage in the global economy by increasing the skills of their workforce. They offer high quality training and learning solutions to meet and exceed client expectations. IPS is also a member of Global Corporate College and actively works with 45 colleges across the United States and internationally to serve companies with an expanded footprint. IPS has a successful history of delivering high-quality facilitation, coaching, courses, and seminars that are personalized to the performance goals of each business they serve.

IPS is a nine member governing body, which includes three voting members. The College appoints three members, to which one is a voting member. The College does not have access to IPS assets, nor is it obligated for its debts, but the College does have an ongoing financial interest in IPS in that it has rights to revenues in excess of Tacoma Community College's allocated percentage of IPS's net revenue fund the reserve fund. For the fiscal year ended June 30, 2016, the change in net position and total net position are not available. IPS does not have separately issued financial statements available. Tacoma Community College is the fiscal agent responsible for the general administration of IPS and accounts for all its financial activity.

During the fiscal year ended June 30, 2016, IPS distributed $150,000 to the College for unrestricted purposes.

See Note 17 for additional information regarding the future fiscal administration of IPS.

15. Risk Management

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.

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all accounts a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2015 through June 30, 2016, were $134,113. Cash reserves for unemployment compensation for all employees at June 30, 2016, were $520,222.

16. Commitments and Contingencies

Capital Commitments
Pierce maintains a facility master development plan for Fort Steilacoom and Puyallup, developed with input from campus constituents and approved by the Board of Trustees. Every two years Pierce may submit requests for capital projects to the SBCTC for funding by the legislature. These requests are submitted in priority order, based on Pierce's Facilities Master Development Plans. In addition, State Minor Capital Improvement funds are allocated by the legislature and designated for use by the SBCTC. Once awarded to Pierce these funds are used to address campus improvement priorities identified in the Facilities Master Development Plans and by Pierce's Executive Team and facilities director. The state also provides funds for capital repairs, based on how each facility scores on a system wide facilities condition survey.

When funds provided by the state are insufficient, the Board reviews and approves requests for spending from district reserves, technology fee or Services and Activities (S&A) fee monies to support capital projects.

Authorized expenditures for capital commitments unexpended as of June 30, 2016 were $4,313,078. Of these, $4,221,689 will come from capital appropriations.

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

On March 29th 2016, the legislature passed the supplemental budget which included an appropriation to fund the settlement for the *Moore v. HCA* lawsuit. SBCTC's portion of this obligation is $32 million of which $19 million is funded by the legislature and the remaining $13.4 million allocated among 34 colleges in the system.

In July 2016, the College was assessed a total liability in the amount of $603,380. The accrued liability, as well as the related accrued expense, is included in the financial statements.

The College is involved in a number of other legal proceedings and claims with various parties which arose in the normal course of business and cover a wide range of matters. Because, in the opinion of management and counsel, the risk of material loss in excess of insurance coverage for these items is remote, the outcome of these legal proceedings and claims are not expected to have a material effect on the financial position of the College. Therefore, an estimated liability has not been recorded.

The various state and federal programs administered by the College for fiscal year 2016 and prior years are subject to examination by the state and federal grantor agencies. At the present time, amounts, if any, which may be due to state or federal grantors have not been determined but the College believes that any such amounts in the aggregate would not have a material adverse effect on the financial position of the College. Therefore, an estimated loss has not been recorded.

17. Subsequent Events

In February 2017, the governing body of *INVISTA Performance Solutions (IPS)* voted to move general administration and responsibility as the fiscal agent from Tacoma Community College to Pierce College. This will be effective for the fiscal year beginning July 01, 2017.

As a result of this change separately issued financial statement for IPS will be available for the fiscal year ending June 30, 2018.

In February 2017, Pierce College completed the process for liquidating its Federal Perkins Loan Program with the award year ending June 30, 2016. This included an independent audit to examine Pierce College's compliance with the requirements to close the Federal Perkins Loan Program in accordance with the provisions of the Student Financial Aid Audit Guide of the Higher Education Act of 1965, as amended (HEA). The examination did not result in any findings.

The final capital distribution from Pierce College's Federal Perkins Loan revolving Fund was made in accordance with Title IV, Part C, Section 466(c) of the Higher Education Act of 1965, as amended (HEA). The federal share of the College's Federal Perkins Loan revolving Fund was $151,349 and this amount was returned to the Department of Education.

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedules of Pierce College's Proportionate Share of the Net Pension Liability

Schedule of Pierce College's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1

	2015	**2016**
Measurement date	June 30, 2014	June 30,2015
College's proportion of the net pension liability	0.108664%	0.105141%
College's proportionate share of the net pension liability	$5,474,000	$5,499,852
College employers' covered-employee payroll	$449,142	$392,830
College's employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	1393.48%	1586.53%
Plan's fiduciary net position as a percentage of the total pension liability	61.19%	59.10%

***** As of June 30; this schedule is to be built prospectively until it contains ten years of data.

Schedule of Pierce College's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3

	2015	**2016**
Measurement date	June 30, 2014	June 30, 2015
College's proportion of the net pension liability	0.128456%	0.125517%
College's proportionate share of the net pension liability	$2,596,560	$4,484,795
College employers' covered-employee payroll	$11,012,149	$11,333,757
College's employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	22.91%	21.86%
Plan's fiduciary net position as a percentage of the total pension liability	93.29%	89.20%

***** As of June 30; this schedule is to be built prospectively until it contains ten years of data.

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedules of Pierce College's Proportionate Share of the Net Pension Liability

Schedule of Pierce College's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1

	2015	**2016**
Measurement date	June 30, 2014	June 30, 2015
College's proportion of the net pension liability	0.009872%	0.009304%
College's proportionate share of the net pension liability	$291,170	$294,764
College employers' covered-employee payroll	$9,233	$9,210
College's employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	3161.45%	22449.66%
Plan's fiduciary net position as a percentage of the total pension liability	68.77%	65.70%

***** As of June 30; this schedule is to be built prospectively until it contains ten years of data.

Schedule of Pierce College's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 2/3

	2015	**2016**
Measurement date	June 30, 2014	June 30, 2015
College's proportion of the net pension liability	0.010150%	0.009179%
College's proportionate share of the net pension liability	$32,784	$77,452
College employers' covered-employee payroll	$391,275	$563,986
College's employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	5.81%	9.07%
Plan's fiduciary net position as a percentage of the total pension liability	96.81%	92.48%

***** As of June 30; this schedule is to be built prospectively until it contains ten years of data.

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions
Public Employee's 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	$ 41,366	$ 41,208	$ 158	$ 449,142	9.17%
2015	36,180	35,452	728	392,830	9.02%
2016	38,756	38,745	11	346,659	11.18%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

***** As of June 30; this schedule is to be built prospectively until it contains ten years of data.

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions
Public Employee's 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	$ 1,014,219	$ 1,013,460	$ 759	$ 11,012,149	9.20%
2015	1,043,286	1,043,286	-	11,333,757	9.21%
2016	1,327,734	1,326,694	1,040	11,875,974	11.17%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

***** As of June 30; this schedule is to be built prospectively until it contains ten years of data.

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 1
Fiscal Year Ended June 30*

Fiscal year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2014	$ 959	$ 959	-	$ 9,233	10.39%
2015	957	957	-	9,210	10.39%
2016	172	0	172	1,313	0.00%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

***** As of June 30; this schedule is to be built prospectively until it contains ten years of data.

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 2/3
Fiscal Year Ended June 30*

Fiscal year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2014	$ 40,653	$ 39,391	$ 1,262	$ 391,275	10.07%
2015	58,598	58,248	350	563,986	10.33%
2016	112,119	109,190	2,929	853,917	12.79%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

***** As of June 30; this schedule is to be built prospectively until it contains ten years of data.