

South Puget Sound Community College

2020 Annual Financial Report

Fiscal Year Ended June 30, 2020





South Puget Sound COMMUNITY COLLEGE

Fiscal 2020 Financial Report

Table of Contents

Trustees and Executive Officers	3
Independent Auditor’s Report on Financial Statements	4
Management’s Discussion and Analysis	7
College Statement of Net Position	15
College Statement of Revenues, Expenses and Changes in Net Position	16
College Statement of Cash Flows	17
Foundation Statement of Financial Position (Component Unit)	19
Foundation Statement of Activities and Changes in Net Assets (Component Unit)	20
Foundation Statement of Functional Expenses (Component Unit)	21
Foundation Statement of Cash Flows (Component Unit)	22
Notes to the Financial Statements	23
Required Supplementary Information	53

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South Puget Sound Community College
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Trustees and Executive Officers

BOARD OF TRUSTEES

Mr. Jefferson Davis, Chair
Ms. Rozanne Garman, Vice Chair
Mr. Steven J. Drew
Ms. Judith L. Hartmann
Mr. Doug Mah
Dr. Tim Stokes, ex-officio Secretary

EXECUTIVE OFFICERS

Dr. Tim Stokes, President
Dr. Michelle Andreas, Vice President for Instruction
Al Brown, Vice President for Administrative Services
Dr. Dave Pelkey, Vice President for Student Services
Parfait Bassale', Executive Diversity Officer
Samantha Dotson, Executive Human Resource Officer
Kelly Green, Executive Community Relations Officer
Rip Heminway, Executive Technology Officer
Tanya Mote, Executive Director of the College Foundation
Diana Toledo, Special Assistant to the President

Trustees and Executive Officers list effective as of December 31, 2020



**Office of the Washington State Auditor
Pat McCarthy**

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

March 24, 2021

Board of Trustees
South Puget Sound Community College
Olympia, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the South Puget Sound Community College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the of the South Puget Sound Community College, as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of South Puget Sound Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information

and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College’s basic financial statements as a whole. The Trustees and Executive Officers information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the College. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated March 24, 2021, on our consideration of the College’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College’s internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

Management's Discussion and Analysis

South Puget Sound Community College

The following discussion and analysis provides an overview of the financial position and activities of South Puget Sound Community College (the College) for the fiscal year ended June 30, 2020 (FY 2020). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

South Puget Sound Community College is one of thirty-four public community and technical colleges in 30 districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 9,870 students. The College confers associates degrees, certificates and high school diplomas. The College was established in 1962 and its primary purpose is to support student success in post-secondary academic transfer and workforce education that responds to the needs of the South Sound region.

The College's main campus is located in Olympia, Washington, a community of about 54,000 residents. The College has a smaller campus in the neighboring town of Lacey, Washington, a community with about 53,000 residents. The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit, the South Puget Sound Community College Foundation. The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2020. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash Flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

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

Statement of Net Position

The Statement of Net Position provides information about the College's financial position and presents the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College as of the end of the fiscal year. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position		
As of June 30th		
	FY 2020	FY 2019
Assets		
Current Assets	22,883,426	31,003,195
Capital Assets, net	143,029,375	133,492,163
Total Assets	\$ 165,912,801	\$ 164,495,358
Deferred Outflows of Resources	\$ 5,917,151	\$ 4,111,520
Liabilities		
Current Liabilities	7,122,012	6,394,892
Other Liabilities, non-current	47,825,075	46,179,870
Total Liabilities	\$ 54,947,087	\$ 52,574,762
Deferred Inflows of Resources	\$ 7,748,828	\$ 8,399,480
Net Position		
Net Investment in Capital Assets	123,992,298	124,561,591
Restricted - Expendable	1,124,055	995,980
Unrestricted	(15,982,316)	(17,924,935)
Total Net Position, as restated	\$ 109,134,037	\$ 107,632,636

Current assets consist primarily of cash, cash equivalents and various accounts receivables. The decrease in current assets in FY 2020 can be attributed primarily to a decrease in the receivable related to the Certificate of Participation (COP) for construction of the Health and Wellness project. As the project continues and funds are drawn from the COP, this decrease in receivables is offset by an increase in net capital assets.

Net capital assets increased by \$9,537,212 from FY 2019 to FY 2020. This increase is primarily the result of the Health and Wellness construction project.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated with the implementation of GASB Statement No. 68 in FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018. The increase in deferred outflows reflect the College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial

assumptions. The College recorded \$4,111,520 in FY 2019 and \$5,917,151 in FY 2020 of pension and postemployment-related deferred outflows. The increase reflects the change in proportionate share.

Similarly, the decrease in deferred inflows in 2020 reflects the decrease in difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits.

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 2019 to FY 2020 is mainly due to the unspent portion of CARES ACT funds which are unearned revenue until spent.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees, the long-term portion of Certificates of Participation debt, the College's share of the pension liabilities, and the College's share of the OPEB liability.

The College's non-current liabilities increased mainly due to changes in the College's share of the OPEB liability.

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

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

Restricted:

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

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

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

Net Position - as of June 30th	FY 2020	FY 2019
Net investment in capital assets	\$123,992,298	\$124,561,591
Restricted		
Expendable - Capital	\$143,404	\$141,751
Expendable - Institutional Financial Aid	\$980,651	\$854,229
Unrestricted	-\$15,982,316	-\$17,924,935
Total Net Position	\$109,134,037	\$107,632,636

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position accounts for the College’s changes in total net position during FY 2020. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains and losses of the College.

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

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

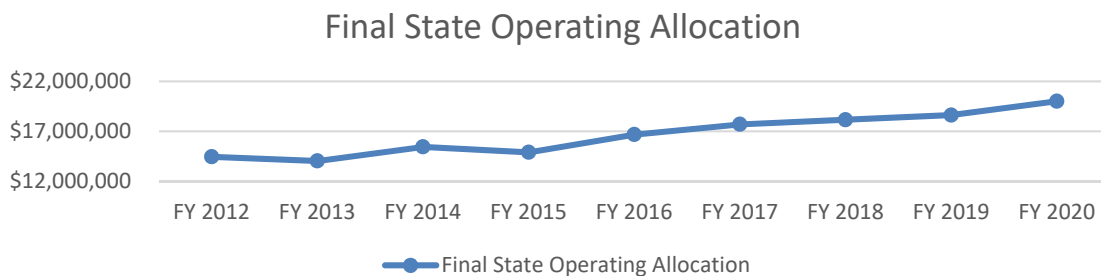
A condensed comparison of the College’s revenues, expense and changes in net position for the years ended June 30, 2020 and 2019 is presented below.

South Puget Sound Community College
Condensed Statement of Net Position
As of June 30, 2020

	FY 2020	FY 2019
Operating revenues		
Student tuition and fees, net	9,476,180	9,893,504
Auxiliary enterprise sales	58,195	346,125
State and local grants and contracts	16,024,758	14,160,068
Federal grants and contracts	372,021	502,682
Charges for services	11,647,653	8,370,572
Other operating revenues	551,605	242,319
Non-operating revenues		
State appropriations	20,018,041	18,616,342
Federal non-operating revenue	1,580,662	
Federal Pell grant revenue	6,416,424	6,330,471
Investment income	313,015	294,592
COP premium, less cost of issuance	-	2,831,300
Total revenues	66,458,554	61,587,975
Operating expenses		
Salaries and wages	26,977,968	25,811,805
Benefits	9,156,740	9,166,175
Scholarships, net of discounts	13,895,489	10,415,557
Depreciation	3,917,409	3,617,010
Supplies and materials	1,598,910	1,759,082
Purchased services	2,273,641	2,561,349
Utilities	977,713	987,850
Repairs, alterations, and maintenance	107,437	1,373,676
Non-capitalized assets	1,235,990	1,398,714
Other operating expenses	2,790,420	2,804,927
Non-operating Expenses		
Building fee remittance	1,381,613	1,334,255
Innovation fund remittance	307,658	300,263
Interest on indebtedness	1,055,175	530,413
Total expenses	65,676,163	62,061,076
Net Revenue and Expenses	782,391	(473,101)
Capital appropriations	719,010	2,195,554
Change in Net position	1,501,401	1,722,453
Net position, beginning of year	107,632,636	105,910,183
Net position, end of year	109,134,037	107,632,636

Revenues

The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the 34 college's based on 3 year average FTE actuals. Additionally, the Supplemental Budget also reduces the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation will continue in FY 2021. The College's increase in state allocation can be attributed to funded salary and benefit increases in FY 2020 and additional state funding as a result of the Workforce Education Investment Act.



In FY 2020, the College's decrease in net tuition and fee revenue is primarily attributable to an increase in scholarship allowances.

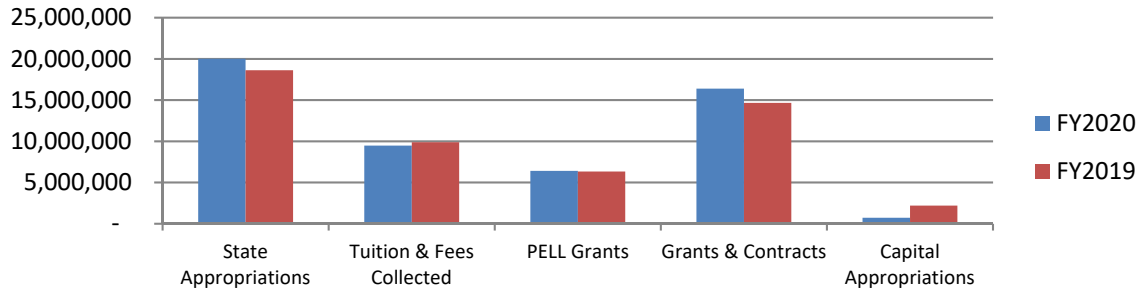
Pell grant revenues generally follow enrollment trends. As the College's enrollment stayed fairly steady during FY 2020, so did the College's Pell Grant revenue.

In FY 2020, state and local grant and contract revenues increased \$1,864,690 when compared with FY 2019. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses.

The College receives capital spending authority on a biennial basis. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Expenses from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenses that meet the capitalization standard are not shown as expense in the current period and are instead recognized as depreciation expense over the expected useful lifetime of the asset.

Selected Elements of Revenue: for the years ended June 30, 2020 and 2019

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



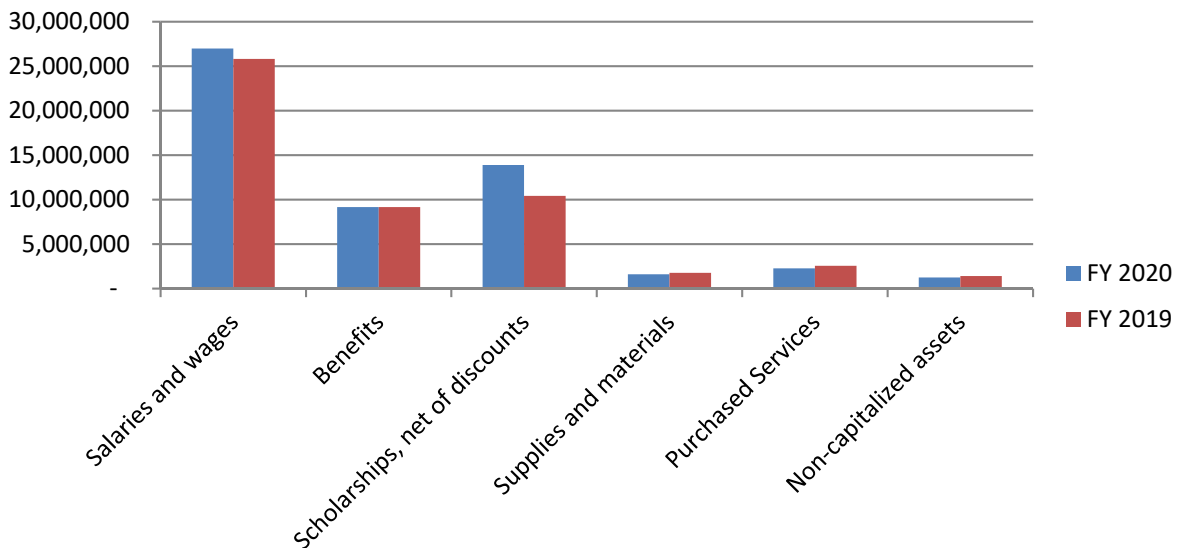
Expenses

In FY 2020, salary and wage costs increased mainly as a result of a salary increase in fiscal year 2020.

Comparison of Selected Operating Expenses by Function

The chart below shows the amount, in dollars, for selected functional areas of operating expenses for FY 2020 and FY 2019.

Selected Elements of Expense: for the years ended June 30, 2020 and 2019



Capital Assets and Long-Term Debt Activities

The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds.

At June 30, 2020, the College had invested \$143,029,375 in capital assets, net of accumulated depreciation. This represents an increase of \$9,537,212 from last year, as shown in the table below.

Asset Type	June 30, 2020	June 30, 2019	Change
Land	\$3,436,782	\$3,436,782	\$0
Construction in Progress	\$16,002,004	\$5,479,522	\$10,522,482
Buildings, net	\$119,513,786	\$120,689,173	-\$1,175,387
Other Improvements and Infrastructure, net	\$2,009,871	\$2,111,916	-\$102,045
Equipment, net	\$2,014,535	\$1,707,099	\$307,436
Library Resources, net	\$52,397	\$67,671	-\$15,274
Total Capital Assets, Net	\$143,029,375	\$133,492,163	\$9,537,212

The increase in net capital assets can be attributed to a construction/renovation project started during fiscal year 2019. Additional information on capital assets can be found in Note 5 of the Notes to the Financial Statements.

At June 30, 2020, the College had \$21,405,000 in outstanding debt comprised entirely of Certificates of Participation. Additional information of notes payable, long term debt and debt service schedules can be found in Notes 11 and 12 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

In fiscal year 2020 the College received an increase in state funding as a result of the Workforce Education Investment Act (E2SHB 2158). Appropriations from the account are supported by an increase in the Business and Occupation tax. These funds were allocated to the colleges as directed in the legislation. Most of these appropriations are budgeted to continue in fiscal year 2021. There were no other significant changes to the method of allocating funds to college districts.

As the College continues to be affected by the results of the COVID-19 pandemic, a decrease in enrollments has been experienced. While historically colleges have seen an increase in enrollments in times of higher unemployment, that has not been the case this time. The College will be looking closely at budgets and ways to innovate instruction to attract more students.

The Legislature's mandate to fully fund K-12 public education leaves little discretionary funding left for the community and technical college system. As a result, it is likely that South Puget Sound Community College will only realize new revenue through increases in tuition rates and Running Start reimbursement rates, both of which are set at the state level. Running Start enrollment growth which has increased significantly in past years, may begin to stabilize.

South Puget Sound Community College
Statement of Net Position
June 30, 2020

Assets

Current Assets

Cash and cash equivalents	9,925,828
Restricted cash and cash equivalents	2,055,282
Accounts receivable	10,902,316
Total current assets	22,883,426

Non-Current Assets

Non-depreciable capital assets	19,438,786
Capital assets, net of depreciation	123,590,589
Total non-current assets	143,029,375

Total Assets

165,912,801

Deferred Outflows of Resources

Deferred outflows related to pensions	2,984,330
Deferred outflows related to OPEB	2,932,821
Total Deferred Outflows of Resources	5,917,151

Liabilities

Current Liabilities

Accounts payable	1,292,280
Accrued liabilities	2,006,324
Compensated absences, current portion	197,727
Deposits payable	30
Unearned revenue	2,501,286
Certificates of participation payable, current portion	765,000
Total pension liability, current portion	44,738
Total OPEB liability, current portion	314,627
Total current liabilities	7,122,012

Non-Current Liabilities

Compensated absences	2,589,355
Certificates of participation payable	20,640,000
Net pension liability	3,622,406
Total pension liability	3,041,326
Total OPEB liability	17,931,988
Total non-current liabilities	47,825,075

Total Liabilities

54,947,087

Deferred Inflows of Resources

Deferred inflows related to pensions	2,335,927
Deferred inflows related to OPEB	5,412,901
Total Deferred Inflows of Resources	7,748,828

Net Position

Net Investment in Capital Assets	123,992,298
Restricted for:	
Expendable - Capital and Debt Expense	143,404
Expendable - Institutional Financial Aid	980,651
Unrestricted (deficit)	(15,982,316)
Total Net Position	109,134,037

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

South Puget Sound Community College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

Operating Revenues

Student tuition and fees, net of scholarship discounts and allowances	9,476,180
Auxiliary enterprise sales	58,195
State and local grants and contracts	16,024,758
Federal grants and contracts	372,021
Charges for services	11,647,653
Other operating revenues	551,605
Total operating revenue	<u>38,130,412</u>

Operating Expenses

Salaries and wages	26,977,968
Benefits	9,156,740
Scholarships and fellowships	13,895,489
Supplies and materials	1,598,910
Depreciation	3,917,409
Purchased services	2,273,641
Utilities	977,713
Repairs, alterations, and maintenance	107,437
Non-capitalized assets	1,235,990
Other operating expenses	2,790,420
Total operating expenses	<u>62,931,717</u>

Operating loss	<u>(24,801,305)</u>
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Non-Operating Revenues (Expenses)

State appropriations	20,018,041
Federal non-operating revenue	1,580,662
Federal Pell grant revenue	6,416,424
Investment income, gains and losses	313,015
Building fee remittance	(1,381,613)
Innovation fund remittance	(307,658)
Interest on indebtedness	(1,055,175)
Net non-operating revenues	<u>25,583,696</u>

Income before capital appropriations	<u>782,391</u>
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Capital appropriations	719,010
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Increase in net position	<u>1,501,401</u>
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Net Position

Net position, beginning of year	<u>107,632,636</u>
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Net position, end of year	<u><u>109,134,037</u></u>
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The footnote disclosures are an integral part of the financial statements.

South Puget Sound Community College
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flows from operating activities

Student tuition and fees	10,396,934
Grants and contracts	14,133,044
Payments to vendors	(4,487,161)
Payments for utilities	(902,501)
Payments to employees	(26,784,756)
Payments for benefits	(9,316,670)
Auxiliary enterprise sales	34,469
Payments for scholarships and fellowships	(13,895,489)
Other receipts	20,950,723
Other payments	(4,133,846)
Net cash used by operating activities	<u>(14,005,254)</u>

Cash flows from noncapital financing activities

State appropriations	19,456,398
Pell grants	6,416,424
Amounts for other than capital purposes	1,580,662
Building fee remittance	(1,374,511)
Innovation fund remittance	(305,940)
Net cash provided by noncapital financing activities	<u>25,773,034</u>

Cash flows from capital and related financing activities

Capital appropriations	1,271,833
Purchases of capital assets	(13,454,928)
Principal paid on capital debt	(615,000)
Interest paid	(1,055,175)
Net cash used by capital and related financing activities	<u>(13,853,270)</u>

Cash flows from investing activities

Income of investments	313,015
Net cash provided by investing activities	<u>313,015</u>

Decrease in cash and cash equivalents (1,772,475)

Cash and cash equivalents at the beginning of the year 13,753,585

Cash and cash equivalents at the end of the year 11,981,110

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

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	<u>(24,801,305)</u>
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	3,917,409
Changes in assets and liabilities	
Receivables, net	6,347,294
Accounts payable	(390,244)
Accrued liabilities	(86,733)
Unearned revenue	1,037,160
Compensated absences	150,262
Pension liability adjustment	(778,198)
OPEB liability adjustment	599,101
Net cash used by operating activities	<u><u>(14,005,254)</u></u>

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

SOUTH PUGET SOUND COMMUNITY COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

Cash and cash equivalents	\$	726,900
Certificates of deposit		150,000
Promises to give, net		255,626
Investments		8,727,616
Prepaid expenses		13,445

TOTAL ASSETS \$ 9,873,587

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$	<u>13,693</u>
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Total Liabilities 13,693

NET ASSETS

Without donor restrictions		
Unrestricted		2,323,012
Board-designated - endowment		450,000
With donor restrictions		<u>7,086,882</u>

Total Net Assets 9,859,894

TOTAL LIABILITIES AND NET ASSETS \$ 9,873,587

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

SOUTH PUGET SOUND COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions			
Individuals	\$ 823,416	\$ 593,669	\$ 1,417,085
In-kind	619,691		619,691
Net investment income	295,772	893,185	1,188,957
Special events income	370,327		370,327
Net assets released from restrictions	592,950	(592,950)	
Total Revenue and Support	2,702,156	893,904	3,596,060
FUNCTIONAL EXPENSES			
Program services	1,418,134		1,418,134
Supporting services			
General and administrative	64,708		64,708
Fundraising	144,754		144,754
Total Functional Expenses	1,627,596		1,627,596
CHANGE IN NET ASSETS	1,074,560	893,904	1,968,464
Net Assets at Beginning of Year	1,698,452	6,192,978	7,891,430
NET ASSETS AT END OF YEAR	<u>\$ 2,773,012</u>	<u>\$ 7,086,882</u>	<u>\$ 9,859,894</u>

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

SOUTH PUGET SOUND COMMUNITY COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program	Supporting Services		Total
		General and Administrative	Fundraising	
Scholarships	\$ 314,319			\$ 314,319
Grants	171,483			171,483
College program support	121,064	\$ 13,451		134,515
Administrative fiscal position	39,770	4,419		44,189
Board functions	6,655	739		7,394
Community outreach	11,066	1,229		12,295
Conferences	8,292	921		9,213
Memberships and dues	5,548	616		6,164
Special event			\$ 144,754	144,754
In-kind	588,706	30,985		619,691
Insurance	3,099	344		3,443
Marketing	26,298	2,922		29,220
Office equipment and software	11,344	1,259		12,603
Office supplies	6,814	757		7,571
Leadership staff discretionary	35,412			35,412
Professional development	1,927	214		2,141
Professional fees	14,625	1,625		16,250
Scholarship reception	4,668			4,668
Sponsorships	32,491	3,610		36,101
Travel	4,263	474		4,737
Other	10,290	1,143		11,433
TOTAL FUNCTIONAL EXPENSES	\$ 1,418,134	\$ 64,708	\$ 144,754	\$ 1,627,596

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

SOUTH PUGET SOUND COMMUNITY COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	1,968,464
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Contributions restricted for long-term purposes		(141,965)
Unrealized and realized gains on investments		(837,879)
Change in assets and liabilities		
Increase in promises to give		(123,800)
Increase in prepaid expenses		(8,354)
Decrease in accounts payable		(14,127)
Decrease in scholarships and grants payable		(132,671)

Net Cash Provided by Operating Activities 709,668

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments		181,758
Purchase of investments		(758,843)
Reinvested earnings, net of expenses		(347,262)

Net Cash Used by Investing Activities (924,347)

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions restricted for long-term purposes		141,965
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NET DECREASE IN CASH AND CASH EQUIVALENTS (72,714)

Cash and Cash Equivalents at Beginning of Year 799,614

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 726,900

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

Notes to the Financial Statements

June 30, 2020

These notes form an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

South Puget Sound Community College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers associates degrees, certificates and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate. The College is an agency of the State of Washington. The financial activity of the college is included in the State's Comprehensive Annual Financial Report. These notes form an integral part of the financial statements.

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

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the calendar year ended December 31, 2019, the Foundation distributed approximately \$1,627,596 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at (360)596-5430.

Basis of Presentation

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

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

Basis of Accounting

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

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

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College records all cash, and cash equivalents at fair value. Investments in the state's Local Government Investment Pool (LGIP), a qualified external investment pool, are reported at amortized cost which approximates fair value.

Accounts Receivable

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

Capital Assets

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. 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. Prior to fiscal year 2019, any interest costs incurred were capitalized during the period of construction. In fiscal year 2019, the College implemented GASB Statement No. 89, which requires interest costs to be expensed. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of \$1,000,000 or more, buildings and improvements with a unit cost of \$100,000 or more, library collections with a total cost of \$5,000 or more and all other assets with a unit cost of \$5,000 or more are capitalized.

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

The college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2020, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. Unearned revenues also include tuition and fees paid with financial aid funds. The College has recorded the following fiscal year's summer and fall quarter tuition and fees as unearned revenues.

Tax Exemption

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

Pension Liability

For purposes of measuring the net pension liability in accordance with GASB Statement No 68, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 (Accounting and Financial Reporting for Pensions)*. The reporting requirements are similar to GASB 68 but use current fiscal yearend as the measurement date for reporting the pension liabilities.

OPEB Liability

In fiscal year 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB)*. This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one-year lag measurement date similar to GASB Statement No. 68.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent consumption of net position that is applicable to a future period. Deferred inflows of resources represent acquisition of net position that is applicable to a future period.

Deferred outflows related to 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 period of time. Deferred inflows related to pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized in the same manner as deferred outflows.

Deferred outflows and 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 college's proportionate share of pension liabilities. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Employer transactions to pension plans made subsequent to the measurement date are also deferred and reduce pension liabilities in the subsequent year.

The portion of differences between expected and actual experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, and changes in the college's proportionate share of OPEB liability that are not recognized in OPEB expense should be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. Differences between projected and actual earning on OPEB plan investments that are not recognized in OPEB expense should be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. Employer contributions to the OPEB plan subsequent to the measurement date of the collective OPEB liability should be recorded as deferred outflows of resources related to OPEB.

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 Expendable. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties. The expendable balance for the College consist of institutional aid funds established for the explicit purpose of providing student support as prescribed by RCW 28B15.820, and the balance of certificate of participation proceeds held by the Washington State Treasurer during construction period. Proceeds are requested as expenses are incurred by the College.

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

When an expense is incurred 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 towards unrestricted resources.

Classification of Revenues and Expenses

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

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

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

Non-operating Revenues. This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government. In FY20, non-operating revenues also included funds received through the federal CARES Act.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2020 are \$7,855,558.

State Appropriations

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

Building and Innovation Fee Remittance

Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature and is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The College remits collected Building Fee to the State Treasurer after the close of a fiscal month. 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.

Note 2 - Accounting and Reporting Changes

Accounting Standard Impacting the Future

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The college is following the State's Office of Financial Management directives on these postponements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which was to be in effect beginning fiscal year 2021. GASB 95 postponed the effective date to fiscal year 2022. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

Note 3 - Deposits and Investments

Deposits

Cash and cash equivalents include bank demand deposits, petty cash and change funds held at the College, and unit shares in the Washington State Treasurer's Local Government Investment Pool (LGIP). The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates. For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Investments in Local Government Investment Pool (LGIP)

The College is a participant in the Local Government Investment Pool as authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts the rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP Advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or online at: <https://tre.wa.gov>.

As of June 30, 2020, the carrying amount of the College's cash and equivalents was \$11,981,110 as represented in the table below.

Cash and Cash Equivalents		June 30, 2020
Petty Cash and Change Funds	\$	3,725
Bank Demand and Time Deposits		3,756,326
Local Government Investment Pool		8,221,059
Total Cash and Cash Equivalents	\$	11,981,110

Of the \$11,981,110 cash and cash equivalents, \$1,022,223 is restricted for expendable institutional aid funds – to be used for the explicit purpose of providing student support as prescribed by RCW 28B15.820. An additional \$1,033,059 is restricted for expendable financial aid support from the Federal CARES Act.

Custodial Credit Risks—Deposits

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

Note 4 - Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments, or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2020, accounts receivable was as follows:

Accounts Receivable	Amount
Student Tuition and Fees	\$ 1,079,984
Due from the Federal Government	2,202,385
Due from Other State Agencies	4,353,443
Due from COP proceeds	2,511,327
Auxiliary Enterprises	53,687
Other	1,451,593
Subtotal	11,652,419
Less Allowance for Uncollectible Accounts	(750,103)
Accounts Receivable, net	\$ 10,902,316

Of the \$10,902,316 accounts receivable, \$2,511,327 is restricted for expendable construction and debt expense for a College construction in progress.

Note 5 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2020 is presented as follows. The current year depreciation expense was \$3,917,409.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements/ Adjustments	Ending Balance
Capital assets, non-depreciable				
Land	\$ 3,436,782	\$ -	\$ -	\$ 3,436,782
Construction in progress	5,479,522	10,522,482	-	16,002,004
Total capital assets, non-depreciable	8,916,304	10,522,482	-	19,438,786
Capital assets, depreciable				
Buildings	155,197,167	2,110,211	-	157,307,378
Other improvements and infrastructure	6,808,990	-	-	6,808,990
Equipment	7,337,822	815,803	(14,130)	8,139,495
Library resources	2,329,118	6,431	22,681	2,358,230
Total capital assets, depreciable	171,673,097	2,932,445	8,551	174,614,093
Less accumulated depreciation				
Buildings	34,507,994	3,284,774	824	37,793,592
Other improvements and infrastructure	4,697,074	102,045	-	4,799,119
Equipment	5,630,723	508,367	(14,130)	6,124,960
Library resources	2,261,447	22,223	22,163	2,305,833
Total accumulated depreciation	47,097,238	3,917,409	8,857	51,023,504
Total capital assets, depreciable, net	124,575,859	(984,964)	(306)	123,590,589
Capital assets, net	\$ 133,492,163	\$ 9,537,518	\$ (306)	\$ 143,029,375

Note 6 - Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2020, were as follows:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	\$ 1,025,919
Accounts Payable	1,292,280
Amounts Held for Others and Retainage	980,405
Total	\$ 3,298,604

Note 7 - Unearned Revenue

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

Unearned Revenue	Amount
FY21 Summer & Fall Quarter Tuition & Fees	\$ 1,468,227
CARES Act Grant	1,033,059
Total Unearned Revenue	<u>\$ 2,501,286</u>

Note 8 - Risk Management

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

The College 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. Payments made for claims from July 1, 2019 through June 30, 2020, were \$116,395.

Note 9 - Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Depending upon employment type, employees who retire receive 25% of the value of their accumulated sick leave and 100% of their accumulated vacation leave either as a cash payment, or credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled \$1,344,652 and accrued sick leave totaled \$1,442,430 at June 30, 2020.

Compensatory time is categorized as a current liability since it must be used before other leave. The College had no balance in compensatory time at June 30, 2020. A four-year average of vacation leave and sick leave paid out annually to employees is used to estimate the current portion of those liabilities. The remaining accrued vacation and sick leave are categorized as non-current liabilities.

Note 10 - Leases Payable

Operating Leases

The College has leases for office equipment with various vendors. These leases are classified as operating leases. As of June 30, 2020, the minimum lease payments for operating leases consist of the following:

Fiscal year	Operating Leases
2021	\$ 24,688
2022	31,517
2023	31,070
2024	29,256
2025	25,287
2026-2030	10,752
Total minimum lease payments	\$ 152,570

Note 11 - Notes Payable

In February 2019, the College obtained financing in order to replace a building, renovate a building, and construct a Health and Wellness Center through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of \$14,340,000.

Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting Fall Quarter 2017. The interest rate charged is 3.356%. Student fees and obligation transfers related to the Health and Wellness Building COP are accounted for in dedicated accounts, which are used to pay principal and interest, not coming out of the general operating budget.

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

In February 2019, the college obtained financing in order for property acquisition at 2421 Heritage Court through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of \$3,465,000. The interest rate charged is 3.359%.

The College's debt service requirements for these note agreements for the next five years and thereafter are as follows in Note 12.

Note 12 - Annual Debt Service Requirements

Future debt service requirements at June 30, 2020 are as follows:

Certificates of Participation			
Fiscal year	Principal	Interest	Total
2021	765,000	1,015,550	1,780,550
2022	810,000	976,925	1,786,925
2023	850,000	935,675	1,785,675
2024	895,000	892,425	1,787,425
2025	935,000	846,925	1,781,925
2026-2030	5,425,000	3,499,475	8,924,475
2031-2035	6,500,000	2,099,125	8,599,125
2036-2040	5,225,000	538,875	5,763,875
Total	\$ 21,405,000	\$ 10,804,975	\$ 32,209,975

Note 13 - Schedule of Long Term Liabilities

	Balance outstanding			Balance outstanding		Current portion
	6/30/19	Additions	Reductions	6/30/20		
Certificates of Participation	\$ 22,020,000	\$ -	\$ 615,000	\$ 21,405,000	\$ 765,000	
Compensation absences	2,636,820	1,280,234	1,129,972	2,787,082	197,727	
Net pension liability	4,458,286	2,390,192	3,226,072	3,622,406	-	
Total pension liability	2,249,584	874,044	37,564	3,086,064	44,738	
Total OPEB liability	15,970,031	2,573,184	296,600	18,246,615	314,627	
Total	\$ 47,334,721	\$ 7,117,654	\$ 5,305,208	\$ 49,147,167	\$ 1,322,092	

Note 14- Retirement Plans

A. General

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS), the Washington State Teachers' Retirement System (TRS), and the State Board Retirement Plan (SBRP). PERS and TRS are cost sharing multiple- employer defined-benefit pension plans administered by the Washington State Department of Retirement Services (DRS). The State Board Retirement Plan (SBRP) is a defined contribution single employer pension plan with a supplemental payment when required. The SBRP is administered

by the State Board for Community and Technical Colleges (SBCTC) and available to faculty, exempt administrative and professional staff of the state’s public community and technical colleges. The College reports its proportionate share of the total pension liability as it is a part of the college system.

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, pension expense, information about the fiduciary net position of all plans, and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

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. The College has elected to use the current fiscal year end as the measurement date for reporting pension liabilities for the Higher Education Supplemental Retirement Plan.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 and No. 73 for the College, for fiscal year 2020:

Aggregate Pension Amounts - All Plans		
Pension Liabilities	\$	6,708,470
Deferred outflows of resources related to pensions	\$	2,984,330
Deferred inflows of resources related to pensions	\$	2,335,927
Pension Expense	\$	647,065

Department of Retirement Systems

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 are comprised of 12 defined benefit pension plans and 3 defined benefit/ defined contribution plans. Below are the DRS plans that the College participates in:

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

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

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

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

Pursuant to RCW 41.50.770, the College offers its employees that elect to participate a deferred compensation program in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable financial emergency. This deferred compensation plan is administered by the DRS.

The DRS prepares a stand-alone financial report that is compliant with the requirements of GASB Statement No. 67. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, WA 98504-8380 or online at <http://www.drs.wa.gov/administration/annual-report>.

Higher Education

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

B. College Participation in Plans Administered by the Department of Retirement Systems

PERS

Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme Court, Court of Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. 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.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002,

for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002 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 plans provide retirement, disability, and death benefits to eligible members.

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.

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.

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. 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.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS covered employment.

TRS

Plan Description. The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. 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.

TRS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996, are members of TRS Plan 3. 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 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. 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. TRS Plan 2 members have the option to retire early with reduced benefits.

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. 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.

Contributions

PERS and TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in PERS or TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS or TRS-covered employment.

The employer contribution rates (expressed as a percentage of covered payroll) and actual contributions for the year ended June 30, 2020 were as follows:

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rate	12.86%	12.86%	15.51%	15.51%
Actual Contributions	406,817.77	658,845.52	151,268.57	170,772.90

* Plan 2/3 employer rate includes a component to address the Plan 1 unfunded actuarial accrued liability

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018 with the results rolled forward to the June 30, 2019 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary (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 members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the 2007-2012 Experience Study Report and the 2017 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report.

The Office of the State Actuary (OSA) selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the WSIB.

The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	2.2%
Tangible Assets	7%	5.1%
Real Estate	18%	5.8%
Global Equity	32%	6.3%
Private Equity	23%	9.3%
Total	100%	

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

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate

The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 and TRS Plan 2/3 employers whose rates include a component for the PERS Plan 1 and TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the College calculated using the discount rate of 7.40 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 (6.40 percent) or 1-percentage-point higher (8.40 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$2,654,267	\$ 2,119,483	\$1,655,487
PERS 2/3	5,103,257	665,387	(2,976,178)
TRS 1	859,693	672,626	510,359
TRS 2/3	898,729	164,908	(431,739)

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

Pension Liabilities. At June 30, 2020 the College reported a total pension liability of \$3,622,406 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	2,119,483
PERS 2/3	665,390
TRS 1	672,626
TRS 2/3	164,907

The College's proportionate share of pension for fiscal years ending June 30, 2019 and June 30, 2020 for each retirement plan are listed below:

	2019	2020	Change
PERS 1	0.054662%	0.055118%	0.000456%
PERS 2/3	0.065068%	0.068502%	0.003434%
TRS 1	0.026816%	0.027168%	0.000352%
TRS 2/3	0.027304%	0.027369%	0.000065%

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

Pension Expense. For the year ended June 30, 2020 the College recognized pension expense as follows:

	Pension Expense
PERS 1	\$118,065
PERS 2/3	181,399
TRS 1	42,456
TRS 2/3	124,361
Total	466,276

Deferred Outflows and Deferred Inflows of Resources

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2020:

	PERS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	141,599
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	406,818	-
Totals	\$ 406,818	\$ 141,599

	PERS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	190,635	143,055
Difference between expected and actual earnings of pension plan investments	-	968,533
Changes of assumptions	17,038	279,174
Changes in College's proportionate share of pension liabilities	256,992	1,008
Contributions subsequent to the measurement date	658,846	-
Totals	\$ 1,123,511	\$ 1,391,770

	TRS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	51,585
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	151,269	-
Totals	\$ 151,269	\$ 51,585

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	114,663	5,306
Difference between expected and actual earnings of pension plan investments	-	142,373
Changes of assumptions	62,169	43,816
Changes in College's proportionate share of pension liabilities	47,732	-
Contributions subsequent to the measurement date	170,773	-
Totals	\$ 395,337	\$ 191,495

The \$1,387,706 reported as deferred outflows of resources representing contributions the College made subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2021.

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

Year ended	PERS 1	PERS 2/3	TRS 1	TRS 2/3
June 30:				
2021	(31,259)	(249,768)	(10,589)	(6,735)
2022	(74,043)	(448,791)	(27,694)	(46,028)
2023	(26,423)	(172,158)	(9,738)	(6,256)
2024	(9,874)	(69,690)	(3,564)	8,408
2025	-	(13,307)	-	20,412
Thereafter	-	26,610	-	63,268
Total	\$ (141,599)	\$ (927,104)	\$ (51,585)	\$ 33,069

C. College Participation in Plan Administered by the State Board for Community and Technical Colleges

State Board Retirement Plan (SBRP) – Supplemental Defined Benefits Plans

Plan Description. The State Board Retirement Plan is a privately administered single-employer defined contribution plans with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. The College participates in this plan as authorized by chapter 28B.10 RCW and reports its proportionate share of the total pension liability. State Board makes direct payments to qualifying retirees when the

retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2020 were \$1,115,961.

Benefits Provided. The State Board Supplemental Retirement Plans (SRP) provide retirement, disability, and death benefits to eligible members.

As of July 1, 2011, all the Supplemental Retirement Plans were closed to new entrants.

Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount a member's goal income exceeds their assumed income. The monthly goal income is the one-twelfth of 2 percent of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of fifty percent of the member's average annual salary). The member's assumed income is an annuity benefit the retired member would receive from their defined contribution Retirement Plan benefit in the first month of retirement had they invested all employer and member contributions equally between a fixed income and variable income annuity investment.

Plan members have the option to retire early with reduced benefits.

The SRP pension benefits are unfunded. For the year ended June 30, 2020, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of \$1,785,000. The College's share of this amount was \$37,564. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2020, the College paid into this fund at a rate of 0.5% of covered salaries, totaling \$66,513. This amount was not used as a part of GASB 73 calculations - its status as an asset has not been determined by the Legislature. As of June 30, 2020, the Community and Technical College system accounted for \$23,208,875 of the fund balance.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2018, with the results rolled forward to the June 30, 2020 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary Increases	3.50%-4.25%
Fixed Income and Variable Income Investment Returns*	4.25%-6.50%

**Measurement reflects actual investment returns through June 30, 2018*

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

members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Most actuarial assumptions used in the June 30, 2018 valuation were based on the results of the April 2016 Supplemental Plan Experience Study. Additional assumptions related to the fixed income and variable income investments were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material assumption changes during the measurement period include the discount rate decrease from 3.50 percent to 2.21 percent.

Discount Rate. For purposes of determining the discount rate, the Bond Buyer 20-Bond general obligation index was used. Also reflected was the Fiscal Year 2020 returns for the Teachers Insurance and Annuity Association of America (TIAA) and CREF investments which are used to determine a member's assumed income.

Pension Expense. Pension expense for the fiscal year ending June 30, 2020 was \$180,789.

Proportionate Share (%)	2.10%
Service Cost	\$ 73,986
Interest Cost	83,226
Amortization of Differences Between Expected and Actual Experience	(53,223)
Amortization of Changes of Assumptions	77,860
Changes of Benefit Terms	-
Administrative Expenses	-
Other Changes in Fiduciary Net Position	-
Proportionate Share of Collective Pension Expense	181,849
Amortization of the Change in Proportionate Share of TPL	(1,060)
Total Pension Expense	\$ 180,789

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for fiscal year ending June 30, 2020 was 2.10 %. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating College's. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Proportionate Share (%) 2019	2.04%
Proportionate Share (%) 2020	2.10%
Total Pension Liability - Ending 2019	\$ 2,249,583
Total Pension Liability - Beginning 2020	2,322,508
Total Pension Liability - Change in Proportion	72,925
Total Deferred Inflows/Outflows - 2019	268,933
Total Deferred Inflows/Outflows - 2020	277,650
Total Deferred Inflows/Outflows - Change in Proportion	8,717
Total Change in Proportion	\$ 81,642

Plan Membership. Membership in the State Board Supplemental Retirement Plan consisted of the following as of June 30, 2018, the most recent actuarial valuation date:

Number of Participating Members				
Plan	Inactive Members or Beneficiaries Currently Receiving Benefits	Inactive Members Entitled to But Not Yet Receiving Benefits	Active Members	Total Members
SRP	3	7	119	129

Change in Total Pension Liability. The following table presents the change in total pension liability of the State Board Supplemental Retirement Plan at June 30, 2019:

Schedule of Changes in Total Pension Liability	
	Amount
Service Cost	\$ 73,986
Interest	83,226
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	175,358
Changes in Assumptions	468,551
Benefit Payments	(37,564)
Change in Proportionate Share of TPL	72,924
Other	-
Net Change in Total Pension Liability	<u>836,481</u>
Total Pension Liability - Beginning	<u>2,249,583</u>
Total Pension Liability - Ending	<u>\$ 3,086,064</u>

Sensitivity of the Total Pension Liability to Changes in the Discount Rate. The following table presents the total pension liability, calculated using the discount rate of 3.50 percent, as well as what the employers' total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
\$ 3,548,705	\$ 3,086,064	\$ 2,704,891

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. At June 30, 2019, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 249,411	\$ 389,297
Changes of Assumptions	587,375	105,868
Changes in College's proportionate share of pension liability	70,609	64,313
Transactions Subsequent to the Measurement Date	-	-
Total	<u>\$ 907,395</u>	<u>\$ 559,478</u>

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:

State Board Supplemental Retirement Plan	
2021	23,577
2022	23,577
2023	23,577
2024	58,251
2025	110,283
Thereafter	108,652
\$	347,917

Note 15- Other Post-Employment Benefits

Plan Description. In addition to pension benefits as described in Note 14, the College, through the Health Care Authority (HCA), administers a single employer defined benefit other postemployment benefit (OPEB) plan. Per RCW 41.05.065, the Public Employees’ Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB OPEB plan is administered by the state and is funded on a pay-as-you-go basis. In the state CAFR the plan is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. It has no assets. The PEBB OPEB plan does not issue a publicly available financial report.

Employees Covered by Benefit Terms. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 76 of the state’s K-12 schools and educational service districts (ESDs), and 249 political subdivisions and tribal governments not included in the state's financial reporting who participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs, Membership in the PEBB plan for the state consisted of the following:

**Summary of Plan Participants
As of June 30, 2019**

Active Employees*	384
Retirees Receiving Benefits**	105
Retirees Not Receiving Benefits***	19
Total Active Employees and Retirees	508

*Reflects active employees eligible for PEBB program participation as of June 30, 2018.

** Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.

***This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees’ access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, Higher Education, Judicial, and LEOFF 2. However, not all employers who participate in these plans offer PEBB to retirees.

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state’s non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2018, the average weighted implicit subsidy was valued at \$347 per adult unit per month. In calendar year 2019, the average weighted implicit subsidy is projected to be \$367 per adult unit per month. In calendar year 2020, the average weighted implicit subsidy is projected to be \$373 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state’s Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year’s explicit subsidy for inclusion in the Governor’s budget. The final amount is approved by the state Legislature. In calendar year 2019 the explicit subsidy was \$168 per member per month. It is projected to increase to \$183 per member per month in calendar year 2020.

Contribution Information. Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

The estimated monthly cost for PEBB benefits for the reporting period for each active employee (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium*	
Medical	\$ 1,100
Dental	81
Life	4
Long-term Disability	2
Total	1,187
Employer contribution	1,024
Employee contribution	162
Total	\$ 1,186

*Per 2020 PEBB Financial Projection Model 3.3. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2020 which includes projected claims cost at the time of this reporting.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to:

<http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>

Total OPEB Liability

As of June 30, 2019, the state reported a total OPEB liability of \$5.804 billion. The College's proportionate share of the total OPEB liability is \$18,246,615. This liability was determined based on a measurement date of June 30, 2019.

Actuarial Assumptions. Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.75%
Projected Salary Changes	3.50% Plus Service-Based Salary Increases
Health Care Trend Rates*	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 8%, reaching an ultimate rate of approximately 4.5% in 2080
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

In projecting the growth of the explicit subsidy, after 2020 when the cap is \$183, it is assumed to grow at the health care trend rates. The Legislature determines the value of cap and no future increases are guaranteed; however, based on historical growth patterns, future increases to the cap are assumed.

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

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2017 Economic Experience Study.

Actuarial Methodology. The total OPEB liability was determined using the following methodologies:

Actuarial Valuation Date	6/30/2018
Actuarial Measurement Date	6/30/2019
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.87 percent for the June 30, 2018 measurement date and 3.5 percent for the June 30, 2019 measurement date.

Additional detail on assumptions and methods can be found on OSA’s website:
<http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>

Changes in Total OPEB Liability

As of June 30, 2019, components of the calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

South Puget Sound Community College

Proportionate Share (%)	0.3143876224%
Service Cost	\$ 738,816
Interest Cost	640,881
Differences Between Expected and Actual Experience	-
Changes in Assumptions*	1,193,487
Changes of Benefit Terms	-
Benefit Payments	(293,164)
Changes in Proportionate Share	(3,436)
Other	
Net Change in Total OPEB Liability	2,276,584
Total OPEB Liability - Beginning	15,970,031
Total OPEB Liability - Ending	\$ 18,246,615

*The recognition period for these changes is nine years. This is equal to the average expected remaining service lives of all active and inactive members.

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of the College, calculated using the discount rate of 3.5 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5 percent) or 1 percentage point higher (4.5 percent) than the current rate:

Discount Rate Sensitivity		
Current Discount		
1% Decrease	Rate	1% Increase
\$ 22,096,040	\$ 18,246,615	\$ 15,256,752

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the College, calculated using the health care trend rates of 8.00 percent decreasing to 4.50 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (7.00 percent decreasing to 3.50 percent) or 1 percentage point higher (9.00 percent decreasing to 5.50 percent) than the current rate:

Health Care Cost Trend Rate Sensitivity		
Current		
1% Decrease	Discount Rate	1% Increase
\$ 14,767,864	\$ 18,246,615	\$ 22,928,485

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ending June 30, 2020, the College will recognize OPEB expense of \$913,730. OPEB expense consists of the following elements:

South Puget Sound Community College	
Proportionate Share (%)	0.3143876224%
Service Cost	\$ 738,816
Interest Cost	640,881
Amortization of Differences Between Expected and Actual Experience	69,606
Amortization of Changes in Assumptions	(668,207)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	132,634
Administrative Expenses	-
Total OPEB Expense	\$ 913,730

As of June 30, 2020, the deferred inflows and deferred outflows of resources for the College are as follows:

South Puget Sound Community College		
Proportionate Share (%)	0.3143876224%	
Deferred Inflows/Outflows of Resources	Deferred Inflows	Deferred Outflows
Difference between expected and actual experience	\$ -	\$ 487,242
Changes in assumptions	5,290,479	1,060,879
Transactions subsequent to the measurement date	-	314,627
Changes in proportion	122,422	1,070,073
Total Deferred Inflows/Outflows	\$ 5,412,901	\$ 2,932,821

Amounts reported as deferred outflow of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

South Puget Sound Community College	
Proportionate Share (%)	0.3143876224%
2021	\$ (465,967)
2022	\$ (465,967)
2023	\$ (465,967)
2024	\$ (465,967)
2025	\$ (465,967)
Thereafter	\$ (464,872)

The change in the College's proportionate share of OPEB liability and deferred inflows and deferred outflows of resources based on measurement date are representing in the following table:

South Puget Sound Community College	
Proportionate Share (%) 2018	0.3144552667%
Proportionate Share (%) 2019	0.3143876224%
Total OPEB Liability - Ending 2018	\$ 15,970,031
Total OPEB Liability - Beginning 2019	15,966,595
Total OPEB Liability Change in Proportion	(3,436)
Total Deferred Inflows/Outflows - 2018	(5,242,412)
Total Deferred Inflows/Outflows - 2019	(5,241,284)
Total Deferred Inflows/Outflows Change in Proportion	1,128
Total Change in Proportion	\$ (4,564)

Note 16 - Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2020.

Expenses by Functional Classification	
Instruction	\$ 27,526,999
Academic Support Services	3,867,954
Student Services	7,564,164
Institutional Support	8,568,407
Operations and Maintenance of Plant	5,755,687
Scholarships and Other Student Financial Aid	1,654,771
Auxiliary enterprises	4,105,161
Compensated absences	150,262
Pension and OPEB	(179,097)
Depreciation	3,917,409
Total operating expenses	\$ 62,931,717

Note 17 - Commitments and Contingencies

The College has a remaining commitment balance of \$2,511,327 for a capital improvement project that includes construction and completion of a new building and renovations of an existing building.

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

Required Supplementary Information

Retirement Plan Information

Cost Sharing Employer Plans

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

Schedule of South Puget Sound Community College's Share of the Net Pension Liability						
Public Employees' Retirement System (PERS) Plan 1						
Measurement Date of June 30						
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability	
2014	0.052957%	\$ 2,667,734	\$ 5,472,399	48.75%	61.19%	
2015	0.051549%	\$ 2,696,492	\$ 5,582,041	48.31%	59.10%	
2016	0.051867%	\$ 2,785,502	\$ 5,836,223	47.73%	57.03%	
2017	0.052032%	\$ 2,468,959	\$ 6,239,824	39.57%	61.24%	
2018	0.054662%	\$ 2,441,224	\$ 6,961,008	35.07%	63.22%	
2019	0.055118%	\$ 2,119,483	\$ 7,562,238	28.03%	67.12%	
2020						
2021						
2022						
2023						

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

Required Supplementary Information

Retirement Plan Information

Cost Sharing Employer Plans

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

Schedule of South Puget Sound Community College's Share of the Net Pension Liability						
Public Employees' Retirement System (PERS) Plan 2/3						
Measurement Date of June 30						
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability	
2014	0.060480%	\$ 1,222,519	\$ 5,176,602	23.62%	93.29%	
2015	0.059970%	\$ 2,142,762	\$ 5,321,288	40.27%	89.20%	
2016	0.059459%	\$ 2,993,714	\$ 5,552,743	53.91%	85.82%	
2017	0.061133%	\$ 2,124,080	\$ 5,993,461	35.44%	90.97%	
2018	0.065068%	\$ 1,110,978	\$ 6,746,685	16.47%	95.77%	
2019	0.068502%	\$ 665,387	\$ 7,445,632	8.94%	97.77%	
2020						
2021						
2022						
2023						

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

Required Supplementary Information

Retirement Plan Information

Cost Sharing Employer Plans

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

Schedule of South Puget Sound Community College's Share of the Net Pension Liability						
Teachers' Retirement System (TRS) Plan 1						
Measurement Date of June 30						
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability	
2014	0.020366%	\$ 600,686	\$ 756,975	79.35%	68.77%	
2015	0.022672%	\$ 718,281	\$ 1,056,980	67.96%	65.70%	
2016	0.023497%	\$ 802,243	\$ 1,141,641	70.27%	62.07%	
2017	0.024144%	\$ 729,938	\$ 1,337,496	54.57%	65.58%	
2018	0.026816%	\$ 783,186	\$ 1,565,078	50.04%	66.52%	
2019	0.027168%	\$ 672,626	\$ 1,826,991	36.82%	70.37%	
2020						
2021						
2022						
2023						

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

Required Supplementary Information

Retirement Plan Information

Cost Sharing Employer Plans

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

Schedule of South Puget Sound Community College's Share of the Net Pension Liability						
Teachers' Retirement System (TRS) Plan 2/3						
Measurement Date of June 30						
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability	
2014	0.014518%	\$ 46,892	\$ 617,329	7.60%	96.81%	
2015	0.021518%	\$ 181,569	\$ 1,005,320	18.06%	92.48%	
2016	0.022781%	\$ 312,851	\$ 1,117,467	28.00%	88.72%	
2017	0.024073%	\$ 222,180	\$ 1,320,014	16.83%	93.14%	
2018	0.027304%	\$ 122,899	\$ 1,565,078	7.85%	96.88%	
2019	0.027369%	\$ 164,908	\$ 1,826,991	9.03%	96.36%	
2020						
2021						
2022						
2023						

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

Required Supplementary Information

Retirement Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30						
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll	
2014	\$ 234,405	\$ 234,405	\$ -	\$ 5,472,399	4.28%	
2015	\$ 236,918	\$ 236,918	\$ -	\$ 5,582,041	4.24%	
2016	\$ 294,140	\$ 294,140	\$ -	\$ 5,836,223	5.04%	
2017	\$ 312,988	\$ 312,988	\$ -	\$ 6,239,824	5.02%	
2018	\$ 365,370	\$ 365,370	\$ -	\$ 6,961,008	5.25%	
2019	\$ 395,219	\$ 395,219	\$ -	\$ 7,562,238	5.23%	
2020	\$ 406,818	\$ 406,818	\$ -	\$ 8,404,284	4.84%	
2021						
2022						
2023						

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

Required Supplementary Information

Retirement Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30						
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll	
2014	\$ 255,493	\$ 255,493	\$ -	\$ 5,176,602	4.94%	
2015	\$ 267,140	\$ 267,140	\$ -	\$ 5,321,288	5.02%	
2016	\$ 343,250	\$ 343,250	\$ -	\$ 5,552,743	6.18%	
2017	\$ 373,392	\$ 373,392	\$ -	\$ 5,993,461	6.23%	
2018	\$ 502,073	\$ 502,073	\$ -	\$ 6,746,685	7.44%	
2019	\$ 559,477	\$ 559,477	\$ -	\$ 7,445,632	7.51%	
2020	\$ 658,846	\$ 658,846	\$ -	\$ 8,318,753	7.92%	
2021						
2022						
2023						

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

Required Supplementary Information

Retirement 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 payroll	Contributions as a percentage of covered payroll	
2014	\$ 40,274	\$ 40,274	\$ -	\$ 756,975	5.32%	
2015	\$ 50,734	\$ 50,734	\$ -	\$ 1,056,980	4.80%	
2016	\$ 71,410	\$ 71,410	\$ -	\$ 1,141,641	6.26%	
2017	\$ 84,490	\$ 84,490	\$ -	\$ 1,337,496	6.32%	
2018	\$ 111,527	\$ 111,527	\$ -	\$ 1,565,078	7.13%	
2019	\$ 134,922	\$ 134,922	\$ -	\$ 1,826,991	7.38%	
2020	\$ 151,269	\$ 151,269	\$ -	\$ 2,101,802	7.20%	
2021						
2022						
2023						

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

Required Supplementary Information

Retirement 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 payroll	Contributions as a percentage of covered payroll	
2014	\$ 35,621	\$ 35,621	\$ -	\$ 617,329	5.77%	
2015	\$ 57,184	\$ 57,184	\$ -	\$ 1,005,320	5.69%	
2016	\$ 74,359	\$ 74,359	\$ -	\$ 1,117,467	6.65%	
2017	\$ 88,699	\$ 88,699	\$ -	\$ 1,320,014	6.72%	
2018	\$ 121,388	\$ 121,388	\$ -	\$ 1,565,078	7.76%	
2019	\$ 143,054	\$ 143,054	\$ -	\$ 1,826,991	7.83%	
2020	\$ 170,773	\$ 170,773	\$ -	\$ 2,101,802	8.13%	
2021						
2022						
2023						

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

Required Supplementary Information

Retirement Plan Information

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Total Pension Liability and Related Ratios

Schedule of Changes in the Total Pension Liability and Related Ratios													
South Puget Sound Community College													
Fiscal Year Ended June 30													
<i>(expressed in thousands)</i>													
Fiscal Year	Service cost	Interest	Changes of benefit terms	Differences between expected and actual experience	Changes of assumptions	Benefit payments	Change in proportionate share of TPL	Other	Net Change in Total Pension Liability	Total Pension Liability-Beginning	Total Pension Liability-Ending	College's Proportion of the Pension Liability	Covered-employee Payroll
2017	\$ 114	74	-	(535)	(126)	(19)	-	\$ (492)	2,500	\$ 2,008	2.11%	\$ 7,936	
2018	\$ 80	74	-	(218)	(74)	(27)	(16)	\$ (181)	2,008	\$ 1,827	2.10%	\$ 12,103	
2019	\$ 58	70	-	133	249	(37)	(51)	\$ 422	1,827	\$ 2,249	2.04%	\$ 12,108	
2020	\$ 74	83	-	175	469	(38)	73	\$ 836	2,250	\$ 3,086	2.10%	\$ 13,311	
2021													
2022													
2023													
2024													
2025													
2026													

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

Notes to Required Supplementary Information

The State Board Supplemental Retirement Plans are financed on a pay-as-you-go basis. State Board makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, salary growth and the variable income investment return.

Required Supplementary Information

Retirement Plan Information

Other Post Employment Benefits

Schedule of Changes in the Total OPEB Liability and Related Ratios

Schedule of Changes in the Total OPEB Liability and Related Ratios														
South Puget Sound Community College														
Fiscal Year Ended June 30														
<i>(expressed in thousands)</i>														
Fiscal Year	Service cost	Interest	Changes of benefit terms	Differences between expected and actual experience	Changes of assumptions	Benefit payments	Changes in proportionate share	Change in Total OPEB Liability	Total OPEB Liability - Beginning	Total OPEB Liability - Ending	College's Proportion of the OPEB Liability	Covered-employee Payroll	Total OPEB Liability as a percentage of covered-employee payroll	
2018	\$ 1,159	543	-	-	(2,648)	(277)	(180)	\$ (1,403)	18,496	\$ 17,093	0.29%	\$ 19,841	86.15%	
2019	\$ 999	686	-	627	(4,371)	(290)	1,226	\$ (1,123)	17,093	\$ 15,970	0.31%	\$ 21,240	75.19%	
2020	\$ 739	641	-	-	1,193	(293)	(3)	\$ 2,277	15,970	\$ 18,247	0.31%	\$ 22,678	80.46%	
2021														
2022														
2023														
2024														
2025														
2026														
2027														

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

Notes to Required Supplementary Information

The Public Employee's Benefits Board (PEBB) OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.