South Puget Sound Community College

2019 Annual Financial Report

Fiscal Year Ended June 30, 2019

South Puget Sound
COMMUNITY COLLEGE

Fiscal 2019
Financial Report

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

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Trustees and Executive Officers

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

March 18, 2020

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, 2019, 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.

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 South Puget Sound Community College, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of 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, 2019, 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 18, 2020, 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,

Pat McCarthy

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, 2019 (FY 2019). 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 9,960 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 52,770 residents. The College has a smaller campus in the neighboring town of Lacey, Washington, a community with about 51,270 residents. The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and it's discretely presented component unit, the 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, 2019. 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

	FY2019	FY2018
Assets		
Current Assets	31,003,195	19,332,235
Capital Assets, net	133,492,163	124,072,488
Total Assets	**$ 164,495,358**	**$ 143,404,723**
Deferred Outflows of Resources	**$ 4,111,520**	**$ 1,846,731**
Liabilities		
Current Liabilities	6,394,892	6,005,205
Other Liabilities, non-current	46,179,870	29,199,631
Total Liabilities	**$ 52,574,762**	**$ 35,204,836**
Deferred Inflows of Resources	**$ 8,399,480**	**$ 4,136,436**
Net Position		
Net Investment in Capital Assets	124,561,591	119,362,488
Restricted - Expendable	995,980	839,724
Unrestricted	(17,924,935)	(14,292,029)
Total Net Position, as restated	**$ 107,632,636**	**$ 105,910,183**

Current assets consist primarily of cash, cash equivalents and various accounts receivables. The increase in current assets in FY2019 can be attributed primarily to COP proceeds held at the State Treasurer for usage on the current Health and Wellness construction project.

Net capital assets increased by $9,419,675 from FY 2018 to FY 2019. This increase is primarily the result of the addition of the Angela Bowen building and 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 $1,846,731 in FY 2018 and $4,111,520 in FY 2019 of pension and postemployment-related deferred outflows. The increase reflects the change in proportionate share.

Similarly, the increase in deferred inflows in 2019 reflects the increase 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 2018 to FY 2019 is mainly due to increased accounts payables at year end.

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 due to additional Certificates of Participation debt used for purchasing and construction of capital assets

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 2019**	**FY 2018**
Net investment in capital assets	$124,561,591	$119,362,488
Restricted		
Expendable - Capital	$141,751	$0
Expendable - Institutional Financial Aid	$854,229	$739,724
Expendable - Restricted cash held with escrow agent	$0	$100,000
Unrestricted	-$17,924,935	-$14,292,029
Total Net Position	**$107,632,636**	**$105,910,183**

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 2019. 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.

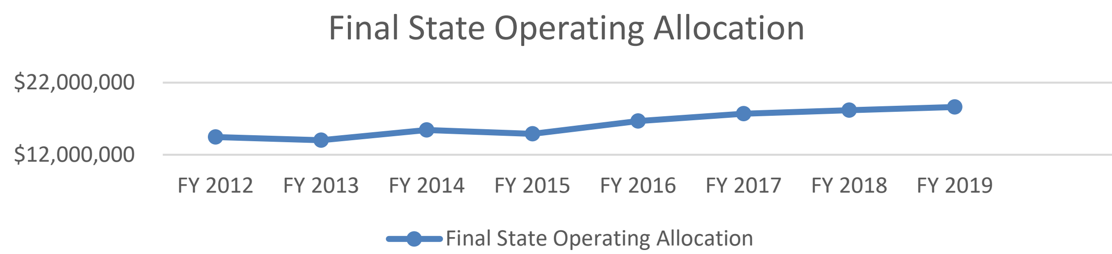
A condensed comparison of the College's revenues, expense and changes in net position for the years ended June 30, 2018 and 2019 is presented below.

South Puget Sound Community College
Condensed Statement of Net Position
As of June 30, 2019

	FY2019	FY2018
Operating revenues		
Student tuition and fees, net	9,893,504	11,401,821
Auxiliary enterprise sales	346,125	326,842
State and local grants and contracts	14,160,068	12,017,561
Federal grants and contracts	502,682	647,446
Charges for services	8,370,572	5,613,907
Other operating revenues	242,319	241,380
Non-operating revenues		
State appropriations	18,616,342	18,155,276
Federal Pell grant revenue	6,330,471	6,459,514
Investment income	294,592	10,989
COP premium, less cost of issuance	2,831,300	-
Total revenues	**61,587,975**	**54,874,736**
Operating expenses		
Salaries and wages	25,811,805	24,577,498
Benefits	9,166,175	9,201,027
Scholarships, net of discounts	10,415,557	9,760,082
Depreciation	3,617,010	3,585,431
Supplies and materials	1,759,082	1,726,794
Purchased services	2,561,349	1,792,242
Utilities	987,850	1,023,415
Repairs, alterations, and maintenance	1,373,676	165,386
Non-capitalized assets	1,398,714	1,549,610
Other operating expenses	2,804,927	2,613,958
Non-operating Expenses		
Building fee remittance	1,334,255	1,330,566
Innovation fund remittance	300,263	300,973
Interest on indebtedness	530,413	209,650
Total expenses	**62,061,076**	**57,836,632**
Net Revenue and Expenses	**(473,101)**	**(2,961,896)**
Capital appropriations	2,195,554	1,067,978
Change in Net position	**1,722,453**	**(1,893,918)**
Net position, beginning of year	105,910,183	126,021,055
Cumulative effect of change in accounting principle (GASB 75)		(18,216,954)
Net position, end of year	**107,632,636**	**105,910,183**

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 FY2019. The College's slight increase in state allocation can be attributed to funded salary and benefit increases in FY2019.



In FY 2019, the College's decrease in net tuition and fee revenue is primarily attributable to an increase in scholarship allowances.

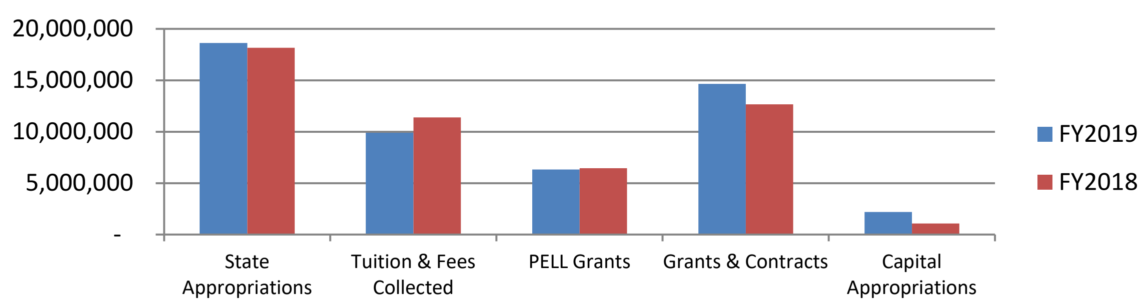
Pell grant revenues generally follow enrollment trends. As the College's enrollment stayed steady during FY 2019, so did the College's Pell Grant revenue.

In FY 2019, state and local grant and contract revenues increased $2,142,507 when compared with FY 2018. 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.

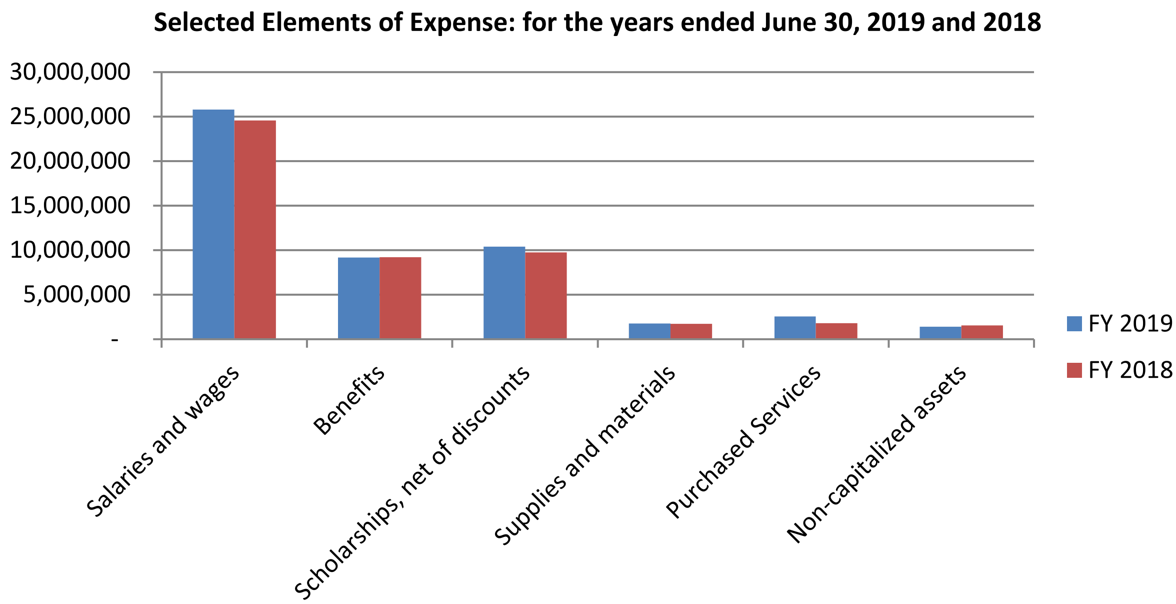
Selected Elements of Revenue: for the years ended June 30, 2019 and 2018

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 2019, salary and benefit costs increased mainly as a result of a salary increase in fiscal year 2019.

Comparison of Selected Operating Expenses by Function
The chart below shows the amount, in dollars, for selected functional areas of operating expenses for FY 2019 and FY 2018.



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, 2019, the College had invested $133,492,163 in capital assets, net of accumulated depreciation. This represents an increase of $9,419,675 from last year, as shown in the table below.

Asset Type	June 30, 2019	June 30, 2018	Change
Land	$3,436,782	$3,295,083	$141,699
Construction in Progress	$5,479,522	$606,561	$4,872,961
Buildings, net	$120,689,173	$116,308,056	$4,381,117
Other Improvements and Infrastructure, net	$2,111,916	$2,121,409	-$9,493
Equipment, net	$1,707,099	$1,673,583	$33,516
Library Resources, net	$67,671	$67,796	-$125
Total Capital Assets, Net	**$133,492,163**	**$124,072,488**	**$9,419,675**

The increase in net capital assets can be attributed to the purchase of a building and a construction/renovation project 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, 2019, the College had $22,020,000 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 12 and 13 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

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. Enrollment numbers for state funded tuition remain stable. In addition, Running Start enrollment growth which has increased significantly in past years, may begin to stabilize.

In FY 2017, the State Board for Community and Technical Colleges elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high demand programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other two-year colleges in the state.

South Puget Sound Community College
Statement of Net Position
June 30, 2019

Assets	
Current assets	
Cash and cash equivalents	12,860,406
Restricted cash and cash equivalents	893,179
Accounts receivable	17,249,610
Total current assets	**31,003,195**
Non-Current Assets	
Non-depreciable capital assets	8,916,304
Capital assets, net of depreciation	124,575,859
Total non-current assets	**133,492,163**
Total Assets	**164,495,358**
Deferred Outflows of Resources	
Deferred outflows related to pensions	2,038,384
Deferred outflows related to OPEB	2,073,136
Total Deferred Outflows of Resources	**4,111,520**
Liabilities	
Current Liabilities	
Accounts payable	1,682,524
Accrued liabilities	2,093,362
Compensated absences, current portion	200,410
Deposits payable	30
Unearned revenue	1,464,126
Certificates of participation payable, current portion	615,000
Total pension liability, current portion	46,213
OPEB liability, current portion	293,227
Total current liabilities	**6,394,892**
Non-Current Liabilities	
Compensated absences	2,436,410
Certificates of participation payable	21,405,000
Net pension liability	4,458,286
Total pension liability	2,203,370
OPEB liability	15,676,804
Total non-current liabilities	**46,179,870**
Total Liabilities	**52,574,762**
Deferred Inflows of Resources	
Deferred inflows related to pensions	2,168,781
Deferred inflows related to OPEB	6,230,699
Total Deferred Inflows of Resources	**8,399,480**
Net Position	
Net Investment in Capital Assets	124,561,591
Restricted for:	
Expendable - Capital and Debt Expense	141,751
Expendable - Institutional Financial Aid	854,229
Unrestricted (deficit)	(17,924,935)
Total Net Position	**107,632,636**

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, 2019

Operating Revenues	
Student tuition and fees, net of scholarship discounts and allowances	9,893,504
Auxiliary enterprise sales	346,125
State and local grants and contracts	14,160,068
Federal grants and contracts	502,682
Charges for services	8,370,572
Other operating revenues	242,319
Total operating revenue	**33,515,270**
Operating Expenses	
Salaries and wages	25,811,805
Benefits	9,166,175
Scholarships and fellowships	10,415,557
Supplies and materials	1,759,082
Depreciation	3,617,010
Purchased services	2,561,349
Utilities	987,850
Repairs, alterations, and maintenance	1,373,676
Non-capitalized assets	1,398,714
Other operating expenses	2,804,927
Total operating expenses	**59,896,145**
Operating loss	**(26,380,875)**
Non-Operating Revenues (Expenses)	
State appropriations	18,616,342
Federal Pell grant revenue	6,330,471
Investment income, gains and losses	294,592
Building fee remittance	(1,334,255)
Innovation fund remittance	(300,263)
Interest on indebtedness	(530,413)
COP premium, less cost of issuance	2,831,300
Net non-operating revenues	**25,907,774**
Loss before capital appropriations	(473,101)
Capital appropriations	2,195,554
Increase in net position	**1,722,453**
Net Position	
Net position, beginning of year	**105,910,183**
Net position, end of year	**107,632,636**

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, 2019

Cash flows from operating activities	
Student tuition and fees	9,901,429
Grants and contracts	15,219,958
Payments to vendors	(2,790,529)
Payments for utilities	(1,003,548)
Payments to employees	(25,619,256)
Payments for benefits	(8,952,644)
Auxiliary enterprise sales	449,232
Payments for scholarships and fellowships	(10,415,557)
Other payments	(11,297,795)
Net cash used by operating activities	**(34,508,710)**
Cash flows from noncapital financing activities	
State appropriations	19,222,750
Pell grants	6,330,471
Building fee remittance	(1,333,739)
Innovation fund remittance	(300,183)
Net cash provided by noncapital financing activities	**23,919,299**
Cash flows from capital and related financing activities	
Certificate of participations proceeds	20,636,300
Capital appropriations	1,588,549
Purchases of capital assets	(13,029,996)
Principal paid on capital debt	(495,000)
Interest paid	(530,413)
Net cash used by capital and related financing activities	**8,169,440**
Cash flows from investing activities	
Income of investments	294,592
Net cash provided by investing activities	**294,592**
Decrease in cash and cash equivalents	**(2,125,379)**
Cash and cash equivalents at the beginning of the year	**15,878,964**
Cash and cash equivalents at the end of the year	**13,753,585**

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

<u>Reconciliation of Operating Loss to Net Cash used by Operating Activities</u>

Operating Loss	(26,380,875)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	3,617,010
Changes in assets and liabilities	
Receivables, net	(13,796,339)
Accounts payable	1,237,387
Accrued liabilities	272,415
Unearned revenue	139,322
Compensated absences	193,265
Pension liability adjustment	(582,930)
OPEB liability adjustment	793,461
Deposits payable	(1,426)
Net cash used by operating activities	**(34,508,710)**

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

SOUTH PUGET SOUND COMMUNITY COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2018

	2018
ASSETS	
Cash and cash equivalents	$ 799,614
Certificates of deposit	150,000
Promises to give, net	131,826
Investments	6,965,390
Prepaid expenses	5,091
TOTAL ASSETS	$ 8,051,921
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	$ 27,820
Scholarships and grants payable	132,671
Total Liabilities	160,491
NET ASSETS	
Without donor restrictions	
Unrestricted	1,248,452
Board-designated - endowment	450,000
With donor restrictions	6,192,978
Total Net Assets	7,891,430
TOTAL LIABILITIES AND NET ASSETS	$ 8,051,921

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions			
Individuals	$ 140,976	$ 702,345	$ 843,321
In-kind	541,757		541,757
Net investment loss	(193,020)	(454,707)	(647,727)
Special events income	291,424		291,424
Net assets released from restrictions	631,010	(631,010)	
Total Revenue and Support	1,412,147	(383,372)	1,028,775
FUNCTIONAL EXPENSES			
Program services	1,353,210		1,353,210
Supporting services			
General and administrative	70,320		70,320
Fundraising	125,287		125,287
	195,607		195,607
Total Functional Expenses	1,548,817		1,548,817
Decrease in Net Assets from Operations	(136,670)	(383,372)	(520,042)
NONOPERATING ACTIVITY			
In-kind contribution revenue - real property	1,191,203		
In-kind contribution expense - real property	(1,191,203)		
Total Nonoperating Activity			
CHANGE IN NET ASSETS	(136,670)	(383,372)	(520,042)
Net Assets at Beginning of Year	1,835,122	6,576,350	8,411,472
NET ASSETS AT END OF YEAR	$ 1,698,452	$ 6,192,978	$ 7,891,430

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, 2018

	Program	Supporting Services: General and Administrative	Supporting Services: Fundraising	Total
Scholarships	$ 450,406			$ 450,406
Grants	113,160			113,160
Student clubs	114,384			114,384
Board functions	18,140	$ 2,016		20,156
Community outreach	26,267			26,267
Conferences	10,781	2,695		13,476
Dues	4,378	486		4,864
Special event			$ 120,672	120,672
In-Kind	487,581	54,176		541,757
Insurance	2,311	257		2,568
Marketing	16,042	2,005	2,005	20,052
Office equipment	14,283	1,785	1,785	17,853
Office supplies	6,602	825	825	8,252
President discretional operations	29,817	3,313		33,130
Professional development	2,641	293		2,934
Professional fees	13,545	1,505		15,050
Scholarship reception	10,939			10,939
Sponsorships	23,252			23,252
Travel	5,476	608		6,084
Other	3,205	356		3,561
TOTAL FUNCTIONAL EXPENSES	$ 1,353,210	$ 70,320	$ 125,287	$ 1,548,817

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, 2018

		2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(520,042)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Contributions restricted for long-term purposes		(222,207)
Unrealized and realized losses (gains) on investments		1,042,407
Change in assets and liabilities		
(Increase) decrease in promises to give		50,895
Increase in prepaid expenses		(512)
Decrease in accounts payable		(10,225)
Decrease in scholarships and grants payable		(16,682)
Net Cash Provided by Operating Activities		323,634
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from certificate of deposit maturities		152,410
Purchase of certificate of deposit		
Proceeds from sale of investments		149,155
Purchase of investments		(271,075)
Reinvested earnings, net of expenses		(392,108)
Net Cash Used by Investing Activities		(361,618)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes		222,207
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		184,223
Cash and Cash Equivalents at Beginning of Year		615,391
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	799,614

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

Notes to the Financial Statements

June 30, 2019
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, 2018, the Foundation distributed approximately $1,548,817 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, 2019, 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.

Beginning fiscal year 2017, 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.

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, 2019 are $7,013,274.

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's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the Statement of Revenues, Expenses and Changes in Net Position.

Note 2 - Accounting and Reporting Changes

Reporting Changes

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the fiscal year ending June 30, 2021. The College has chosen to do an early implementation in fiscal year 2019. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by the College. The Statement will be applied on a prospective basis and the interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated.

Accounting Standard Impacting the Future
In June 2017, the GASB issued Statement No. 87, *Leases*, which will be in effect beginning fiscal year 2021. 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 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, 2019, the carrying amount of the College's cash and equivalents was $13,753,585 as represented in the table below.

Cash and Cash Equivalents		**June 30, 2019**
Petty Cash and Change Funds	$	3,725
Bank Demand and Time Deposits		1,025,172
Local Government Investment Pool		12,724,688
Total Cash and Cash Equivalents	**$**	**13,753,585**

Of the $13,753,585 cash and cash equivalents, $893,179 is restricted for expendable institutional aid funds – to be used for the explicit purpose of providing student support as prescribed by RCW 28B15.820.

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, 2019, accounts receivable were as follows:

Accounts Receivable	**Amount**
Student Tuition and Fees	$ 922,798
Due from the Federal Government	946,760
Due from Other State Agencies	2,340,333
Due from COP proceeds	13,231,179
Auxiliary Enterprises	49,068
Other	454,450
Subtotal	17,944,588
Less Allowance for Uncollectible Accounts	(694,978)
Accounts Receivable, net	**$ 17,249,610**

Of the $17,249,610 accounts receivable, $13,231,179 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, 2019 is presented as follows. The current year depreciation expense was $3,617,010.

Capital Assets	**Beginning Balance**	**Additions/ Transfers**	**Retirements/ Adjustments**	**Ending Balance**
Capital assets, non-depreciable				
Land	$ 3,295,083	$ 141,700	$ (1)	$ 3,436,782
Construction in progress	606,561	4,872,961		5,479,522
Total capital assets, non-depreciable	3,901,644	5,014,661	(1)	8,916,304
Capital assets, depreciable				
Buildings	148,131,046	7,809,408	(743,287)	155,197,167
Other improvements and infrastructure	6,705,988	103,000	2	6,808,990
Equipment	6,898,591	490,539	(51,308)	7,337,822
Library resources	2,323,799	28,000	(22,681)	2,329,118
Total capital assets, depreciable	164,059,424	8,430,947	(817,274)	171,673,097
Less accumulated depreciation				
Buildings	31,822,990	3,079,045	(394,041)	34,507,994
Other improvements and infrastructure	4,584,579	112,476	19	4,697,074
Equipment	5,225,008	420,176	(14,461)	5,630,723
Library resources	2,256,003	5,313	131	2,261,447
Total accumulated depreciation	43,888,580	3,617,010	(408,352)	47,097,238
Total capital assets, depreciable, net	120,170,844	4,813,937	(408,922)	124,575,859
Capital assets, net	**$124,072,488**	**$ 9,828,598**	**$ (408,923)**	**$133,492,163**

Note 6 - Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2019, were as follows:

Accounts Payable and Accrued Liabilities		**Amount**
Amounts Owed to Employees	$	963,802
Accounts Payable		1,682,524
Amounts Held for Others and Retainage		1,129,560
Total	**$**	**3,775,886**

Note 7 - Unearned Revenue

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

Unearned Revenue		**Amount**
FY20 Summer & Fall Quarter Tuition & Fees	$	1,464,126
Total Unearned Revenue	$	1,464,126

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, 2018 through June 30, 2019, were $89,708.

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 $1,172,161, accrued sick leave totaled $1,464,317, and accrued compensatory time totaled $342 at June 30, 2019.

Compensatory time is categorized as a current liability since it must be used before other leave. 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, 2019, the minimum lease payments for operating leases consist of the following:

Fiscal year	Operating Leases	
2020	$	26,689
2021		30,814
2022		29,497
2023		26,467
2024		22,502
2025-2029		6,307
Total minimum lease payments	**$**	**142,276**

Note 11 - Notes Payable

In June 1999, the College obtained financing in order to remodel the Student Union Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $4,620,000. Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 1997. The College Bookstore and International Education also committed to an annual obligation to service the debt. The interest rate charged is 3.137%. Student fees and annual obligation transfers related to the Student Union Building COP are accounted for in a dedicated account, which is used to pay principal and interest, not coming out of the general operating budget.

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, 2019 are as follows:

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2020	$ 615,000	$ 1,055,175	$ 1,670,175
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
2025-2029	5,175,000	3,747,625	8,922,625
2030-2034	6,530,000	2,407,775	8,937,775
2035-2039	6,380,000	829,000	7,209,000
Total	**$ 22,020,000**	**$ 11,860,150**	**$ 33,880,150**

Note 13 - Schedule of Long Term Liabilities

	Balance outstanding 6/30/18	Additions	Reductions	Balance outstanding 6/30/19	Current portion
Certificates of Participation	**$ 4,710,000**	$ 17,805,000	$ 495,000	**$ 22,020,000**	$ 615,000
Compensation absences	**2,443,555**	1,450,874	1,257,609	**2,636,820**	200,410
Net pension liability	**5,545,156**	1,828,256	2,915,126	**4,458,286**	-
Total pension liability	**1,827,220**	510,106	87,742	**2,249,584**	46,213
OPEB liability	**17,093,247**	3,537,862	4,661,078	**15,970,031**	293,227
Total	**$ 31,619,178**	**$25,132,098**	**$ 9,416,555**	**$ 47,334,721**	**$1,154,850**

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 2019:

Aggregate Pension Amounts - All Plans

Pension Liabilities	$	6,707,868
Deferred outflows of resources related to pensions	$	2,038,383
Deferred inflows of resources related to pensions	$	2,168,782
Pension Expense	$	686,805

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, 2019 were as follows:

	PERS 1	**PERS 2/3***	**TRS 1**	**TRS 2/3***
Contribution Rate	12.83%	12.83%	15.41%	15.41%
Actual Contributions	395,219.19	559,476.74	134,921.78	143,054.14

* 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, 2017 with the results rolled forward to the June 30, 2018 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, 2017 valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). 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.

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 CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

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%	1.7%
Tangible Assets	7%	4.9%
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	$ 3,000,111	$2,441,224	$1,957,114
PERS 2/3	5,081,640	1,110,978	(2,144,522)
TRS 1	978,900	783,186	613,754
TRS 2/3	765,997	122,899	(399,520)

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

Pension Liabilities. At June 30, 2019, the College reported a total pension liability of $4,458,286 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$2,441,223
PERS 2/3	1,110,978
TRS 1	783,186
TRS 2/3	122,899

The College's proportionate share of pension for fiscal years ending June 30, 2018 and June 30, 2019 for each retirement plan are listed below:

	2017	2018	Change
PERS 1	0.052032%	0.054662%	0.002630%
PERS 2/3	0.061133%	0.065068%	0.003935%
TRS 1	0.024144%	0.026816%	0.002672%
TRS 2/3	0.024073%	0.027304%	0.003231%

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, 2019 the College recognized pension expense as follows:

	Pension Expense
PERS 1	$345,993
PERS 2/3	34,546
TRS 1	168,588
TRS 2/3	89,225
Total	**638,352**

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, 2019:

	PERS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	97,013
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	395,219	-
Totals	**$ 395,219**	**$ 97,013**

	PERS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	136,177	194,512
Difference between expected and actual earnings of pension plan investments	-	681,748
Changes of assumptions	12,997	316,175
Changes in College's proportionate share of pension liabilities	191,644	7,977
Contributions subsequent to the measurement date	559,477	-
Totals	**$ 900,295**	**$ 1,200,412**

	TRS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	33,492
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	134,922	-
Totals	**$ 134,922**	**$ 33,492**

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	57,754	9,075
Difference between expected and actual earnings of pension plan investments	-	103,940
Changes of assumptions	2,089	49,389
Changes in College's proportionate share of pension liabilities	74,928	-
Contributions subsequent to the measurement date	143,054	-
Totals	**$ 277,825**	**$ 162,404**

The $1,232,672 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, 2020.

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

Year ended June 30:	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**
2020	4,244	(83,660)	3,351	23,137
2021	(21,208)	(194,230)	(6,933)	(10,032)
2022	(63,638)	(383,226)	(23,816)	(49,252)
2023	(16,412)	(120,460)	(6,094)	(9,576)
2024	-	(23,129)	-	5,053
Thereafter	-	(54,890)	-	13,038
Total	**$ (97,014)**	**$ (859,595)**	**$ (33,492)**	**$ (27,632)**

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, 2019 were $1,021,888.

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, 2019, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of $1,818,361. The College's share of this amount was $37,057. 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 2019, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $64,862. 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, 2019, the Community and Technical College system accounted for $19,733,342 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, 2019 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, 2016 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 3.87 percent to 3.50 percent.

Discount Rate. The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.50 percent for the June 30, 2019, measurement date.

Pension Expense. Pension expense for the fiscal year ending June 30, 2019 was $48,453.

Proportionate Share (%)		**2.04%**
Service Cost	$	58,110
Interest Cost		70,291
Amortization of Differences Between Expected and Actual Experience		(76,530)
Amortization of Changes of Assumptions		8,675
Changes of Benefit Terms		-
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		**60,546**
Amortization of the Change in Proportionate Share of TPL		(12,093)
Total Pension Expense	**$**	**48,453**

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for fiscal year ending June 30, 2019 was 2.04%. 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 (%) 2018		**2.10%**
Proportionate Share (%) 2019		**2.04%**
Total Pension Liability - Ending 2018	$	1,827,220
Total Pension Liability - Beginning 2019		1,776,535
Total Pension Liability - Change in Proportion		(50,685)
Total Deferred Inflows/Outflows - 2018		738,996
Total Deferred Inflows/Outflows - 2019		718,497
Total Deferred Inflows/Outflows - Change in Proportion		(20,499)
Total Change in Proportion	**$**	**(71,184)**

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	$	58,110
Interest		70,291
Changes of Benefit Terms		-
Differences Between Expected and Actual Experience		132,522
Changes in Assumptions		249,181
Benefit Payments		(37,057)
Change in Proportionate Share of TPL		(50,685)
Other		
Net Change in Total Pension Liability		422,362
Total Pension Liability - Beginning		1,827,220
Total Pension Liability - Ending	**$**	**2,249,582**

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%)**
$ 2,570,476	$ 2,249,581	$ 1,983,121

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	$ 114,615	$ 471,511
Changes of Assumptions	215,507	127,543
Changes in College's proportionate share of pension liability	-	76,406
Transactions Subsequent to the Measurement Date	-	-
Total	**$ 330,122**	**$ 675,460**

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
2020	(79,948)
2021	(79,948)
2022	(79,948)
2023	(79,949)
2024	(46,358)
Thereafter	20,812
	$ (345,339)

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, 2018

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 2017, the average weighted implicit subsidy was valued at $327 per adult unit per month, and in calendar year 2018, the average weighted implicit subsidy is projected to be $368 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 2017, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar year 2018. This was increased in calendar year 2019 to up to $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~~s~~ (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium*		
Medical	$	1,092
Dental		79
Life		4
Long-term Disability		2
Total		1,177
Employer contribution		1,017
Employee contribution		160
Total	$	1,177

*Per 2019 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2019 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 $5.08 billion. The College's proportionate share of the total OPEB liability is $15,970,031. This liability was determined based on a measurement date of June 30, 2018.

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%

*For additional detail on the health care trend rates, please see Office of the State Actuary's 2018 OPEB Actuarial Valuation Report.

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 Dat	6/30/2018
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 3.58 percent for the June 30, 2017 measurement date and 3.87 percent for the June 30, 2018 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 lability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

South Puget Sound Community College		
Proportionate Share (%)		**0.3144552667%**
Service Cost	$	998,471
Interest Cost		686,443
Differences Between Expected and Actual Experienc		626,589
Changes in Assumptions*		(4,371,159)
Changes of Benefit Terms		-
Benefit Payments		(289,919)
Changes in Proportionate Share		1,226,359
Other		-
Net Change in Total OPEB Liability		(1,123,216)
Total OPEB Liability - Beginning		17,093,247
Total OPEB Liability - Ending	**$**	**15,970,031**

*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 3.87 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 (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

Discount Rate Sensitivity		
1% Decrease	**Current Discount Rate**	**1% Increase**
$ 19,256,102	$ 15,970,031	$ 13,406,183

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		
1% Decrease	**Current Discount Rate**	**1% Increase**
$ 13,109,847	$ 15,970,031	$ 19,773,531

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

For the year ending June 30, 2019, the College will recognize OPEB expense of $1,086,687. OPEB expense consists of the following elements:

South Puget Sound Community College		
Proportionate Share (%)		**0.3144552667%**
Service Cost	$	998,471
Interest Cost		686,443
Amortization of Differences Between Expected and Actual Experience		69,621
Amortization of Changes in Assumptions		(800,989)
Changes of Benefit Terms		-
Amortization of Changes in Proportion		133,141
Administrative Expenses		-
Total OPEB Expense	**$**	**1,086,687**

As of June 30, 2019, the deferred inflows and deferred outflows of resources for the College are as follows:

South Puget Sound Community College				
Proportionate Share (%)		**0.3144552667%**		
Deferred Inflows/Outflows of Resources		**Deferred Inflows**		**Deferred Outflows**
Difference between expected and actual experience	$	-	$	556,968
Changes in assumptions		6,092,607		-
Transactions subsequent to the measurement date		-		293,227
Changes in proportion		138,092		1,222,941
Total Deferred Inflows/Outflows	**$**	**6,230,699**	**$**	**2,073,136**

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, 2020. 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 (%)		**0.3144552667%**
2020	$	(598,227)
2021	$	(598,227)
2022	$	(598,227)
2023	$	(598,227)
2024	$	(598,227)
Thereafter	$	(1,459,655)

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 (%) 2017		**0.2934048744%**
Proportionate Share (%) 2018		**0.3144552667%**
Total OPEB Liability - Ending 2017	$	17,093,247
Total OPEB Liability - Beginning 2018		18,319,606
Total OPEB Liability Change in Proportion		1,226,359
Total Deferred Inflows/Outflows - 2017		(2,083,067)
Total Deferred Inflows/Outflows - 2018		(2,232,517)
Total Deferred Inflows/Outflows Change in Proportion		(149,450)
Total Change in Proportion	**$**	**1,375,809**

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, 2019.

Expenses by Functional Classification		
Instruction	$	25,259,697
Academic Support Services		3,773,466
Student Services		6,719,168
Institutional Support		7,731,496
Operations and Maintenance of Plant		6,808,169
Scholarships and Other Student Financial Aid		3,991,253
Auxiliary enterprises		1,594,519
Compensated absences		190,836
Pension and OPEB		210,531
Depreciation		3,617,010
Total operating expenses	**$**	**59,896,145**

Note 17 - Commitments and Contingencies

The College has a commitment of $11,016,350 for a capital improvement project that include construction and completion of new buildings and renovations of an existing buildings. $11,016,350 of this commitment is financed and is included in Note 13, Certificates of Participation additions.

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					
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					
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					
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					
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					
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					
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					
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					
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
Schedules of Contributions

Schedule of South Puget Sound Community College's Contributions State Board Retirement Plan 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
2017	$ 1,011,199	$ 1,011,199	$ -	$11,950,609	8.46%
2018	$ 1,021,747	$ 1,021,747	$ -	$12,103,480	8.44%
2019	$ 1,021,888	$ 1,021,888	$ -	$12,108,349	8.44%
2020					
2021					
2022					
2023					
2024					
2025					
2026					

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
(expressed in thousands)

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													
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
(expressed in thousands)

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													
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.