Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

South Puget Sound Community College

For the period July 1, 2016 through June 30, 2017

Published March 22, 2018

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Office of the Washington State Auditor

Pat McCarthy

March 22, 2018

Board of Trustees
South Puget Sound Community College
Olympia, Washington

Report on Financial Statements

Please find attached our report on the South Puget Sound Community College's financial statements.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

South Puget Sound Community College
July 1, 2016 through June 30, 2017

2017-001 The College did not have adequate internal controls in place to ensure it accurately reported its financial statements and notes.

Background

College management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. These controls should ensure the College follows all generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) statements.

Description of Condition

Our audit identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness:

- The College did not have a process to ensure sufficient research was performed to correctly implement new GASB standards. GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which affects accounting and financial reporting for pensions, was not properly implemented.

- The College did not dedicate the necessary time and resources to ensure all financial statement adjustments were made in the year they occurred.

- Although the College reviews the financial statements and required footnote disclosures, this review was not adequate to detect and correct errors before the audit.

Cause of Condition

The College's deadline for financial statement reporting was significantly earlier than previous years. As a result of rapidly preparing the statements before audit, the College did not take the time needed to review the financial statements for the proper implementation of GASB 73 and ensure the statements and footnotes agreed to supporting documents and financial statements.

Effect of Condition

Our audit identified the following errors in the financial statements and schedules provided for audit. The College did not:

- Include the cumulative effect in change of accounting principle due to GASB 73 on the Statement of Revenues, Expenses, and Change in Net Position or in the Management Discussion and Analysis section. The misstatement amount was $2,499,599.

- Include a prior period adjustment on the Statement of Revenues, Expenses and Change in Net Position. This caused it to understate Net Position by $2,162,307.

- Reconcile the Ending Net Position reported on the Statement of Revenues, Expenses and Change in Net Position to the Total Net Position reported on the Statement of Net Position. This caused it to overstate the Statement of Revenues, Expenses and Change in Net Position by $64,568 compared with the Statement of Net Positon.

Other, less significant errors were also identified in the financial statements provided for audit. All material misstatements noted above were corrected.

Recommendation

We recommend College management develop and maintain adequate internal controls over financial statement reporting that ensure accurate and complete financial statements and footnotes. Specifically, the College should:

- Develop a process to ensure sufficient research is performed to correctly and promptly implement new GASB standards

- Develop a process to identify needed journal entry adjustments before providing statements for audit

- Ensure someone involved in the College’s operations conducts an effective, independent financial statement review to ensure that the statements and footnotes are prepared in accordance with all GASB standards and GAAP reporting principles

College's Response

Thank you for working with South Puget Sound Community College (SPSCC) on our FY2016 and FY2017 audits. SPSCC recognizes the importance of a strong internal control environment in regards to financial statement reporting.

We agree that the cause of condition arose from the deadline for financial statement reporting. College staff were impacted with completing two financial statements this year, with an extremely short turn-around time for the FY2017 audit. The back to back audits were necessary to bring the College into compliance with NWCCU requirements of the College annual audit being completed no later than 9 months after the end of the fiscal year. The short preparation timeframe for the FY2017 audit also adversely impacted the ability of management to review the financial statements. SPSCC is now current on financial statement deadlines and will dedicate time to the audit recommendations.

The College entered the prior period adjustments correctly into the Statement of Net Position, but did not note the Prior Period Net Position adjustments on the face of the Statement of Revenue, Expenses and Changes in Net Position. The Statement of Revenue, Expenses and Changes in Net Position has been corrected to show prior period Net Position adjustments of <$2,499,599> and $2,162,307.

Auditor's Remarks

We appreciate the College's commitment to resolving the issues noted. We will review the status during the next audit.

Applicable Laws and Regulations

RCW 43.88.160 Fiscal management – Powers and duties of officers and agencies, states in part:

> (4) In addition, the director of financial management, as agent of the governor, shall:
>
> (a) Develop and maintain a system of internal controls and internal audits comprising methods and procedures to be adopted by each agency that will safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies for accounting and financial controls. The system developed by the director shall include criteria for determining the scope and comprehensiveness of internal controls required by classes of agencies, depending on the level of resources at risk.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

> 4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines material weaknesses and significant deficiencies in its *Codification of Statements on Auditing Standards*, Section 265 as follows:

> **.07** For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:
>
> Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
>
> Significant deficiency. A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.
>
> .A11 Indicators of material weaknesses in internal control include:
>
> - Identification of fraud, whether or not material, on the part of senior management. For the purpose of this indicator, the term “senior management” includes the principal executive and financial officers as well as any other members of senior management who play a significant role in the entity's financial reporting process;
>
> - Restatement of previously issued financial statements to reflect the correction of a material misstatement due to fraud or error;

- Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected and corrected by the entity's internal control; and

- Ineffective oversight of the entity's financial reporting and internal control by those charged with governance.

The Office of Financial Management's *State Administrative and Accounting Manual* (SAAM), states in part:

> Section 20.15.30.a *Who is responsible for internal control?*
>
> > The agency head or authorized designee is ultimately responsible for identifying risks and establishing, maintaining, and reviewing the agency's system of internal control. If the agency head delegates this responsibility, the designated person should have sufficient authority to carry out these responsibilities. Normally, this person is a senior agency manager who does not serve in the internal audit function.
>
> Section 20.15.40.c *Control Activities*
>
> > Control activities help ensure risk responses are effectively carried out and include policies and procedures, manual and automated tools, approvals, authorizations, verifications, reconciliations, security over assets, and segregation of duties. These activities occur across an agency, at all levels and in all functions, and are designed to help prevent or reduce the risk that agency objectives will not be achieved. Managers set up control activities to provide reasonable assurance that the agency and business unit objectives are met. An example of a control activity is something as simple as listing tasks assigned to staff members and then periodically checking the list to verify that assignments are completed on time. Refer to Section 20.25 for further discussion of control activities.
>
> Section: 20.15.50.a – Annual assurance
>
> > A risk assessment and internal control review process provides management with reasonable assurance that

controls are operating as expected. In addition, the process should be used to determine if internal control modifications are needed by considering events that have occurred, processes or procedures that have changed, new projects or programs that are being planned or implemented, and other changes within the agency that may have additional risks. If the review uncovers internal control weaknesses or if prior weaknesses still exist, they should be documented and addressed.

Periodically, an agency should conduct a comprehensive review of the internal control structure to determine if it is adequately addressing agency risks. This can be done agency-wide at one time or by sections of the agency over a period of time.

Agencies must maintain adequate written documentation of activities conducted in connection with risk assessments, review of internal control activities and follow-up actions. This documentation includes any checklists and methods used to complete these activities. Refer to Subsection 20.25.50 for required documentation. For sample checklists and procedures, refer to the OFM Administrative and Accounting Resources website at: http://www.ofm.wa.gov/resources/default.asp.

Agencies have the flexibility to assign appropriate staff to complete the risk assessments and review of internal control activities required by this policy. The internal control officer is the person appointed by the agency head who is assigned responsibility for coordinating and scheduling the agency-wide effort of evaluating and reporting on reviews and improving control activities. The internal control officer also provides assurance to the agency head that the agency has performed the required risk assessments and the necessary evaluative processes. This communication may be ongoing and informal, but at least once per year, this assurance must be made in writing to the agency head. The internal control officer is responsible for ensuring that the required documentation is maintained and available for review by agency management, the State Auditor's Office (SAO), and OFM.

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

South Puget Sound Community College
July 1, 2016 through June 30, 2017

Board of Trustees
South Puget Sound Community College
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the South Puget Sound Community College, Washington, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 14, 2018. As discussed in Note 2 to the financial statements, during the year ended June 30, 2017, the College implemented Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

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

The financial statements of the 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, 2017, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-01 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

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

COLLEGE'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

March 14, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

South Puget Sound Community College
July 1, 2016 through June 30, 2017

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, Washington, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 16.

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, 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 South Puget Sound Community College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the South

Puget Sound Community College Foundation were not audited in accordance with *Government Auditing Standards.*

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the South Puget Sound Community College, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 2 to the financial statements, in 2017, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the 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, 2017, 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 on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

March 14, 2018

FINANCIAL SECTION

South Puget Sound Community College
July 1, 2016 through June 30, 2017

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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, 2017 (FY 2017). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity

South Puget Sound Community College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 9,750 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 50,000 residents. The College has a smaller campus in the neighboring town of Lacey, Washington. 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, 2017. 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.

During 2017, the College adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 as amended by GASB Statement No. 71*. It establishes financial reporting requirements for defined benefit pensions that are provided to employees of state and local governmental employers and that are not administered through trusts or equivalent arrangements and therefore outside the scope of Statement 68. The College is required to record its proportionate share of net pension liabilities, deferred inflows, pension expense and benefit payments. The change in accounting principle resulted in an additional amount of $2,007,714 in pension liability.

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, liabilities, deferred inflows, and net position at year-end and includes all assets and liabilities of the College. The decrease in net position is primarily attributable to the capital assets annual depreciation of capital assets, offset with additions. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30th	**FY 2017**	**FY 2016**
Assets		
Current Assets	18,501,190	11,103,282
Capital Assets, net	126,018,417	134,992,691
Total Assets	**$ 144,519,607**	**$ 146,095,973**
Deferred Outflows	**$ 1,793,885**	**$ 1,331,788**
Liabilities		
Current Liabilities	3,753,528	6,009,268
Other Liabilities, non-current	15,824,039	13,121,107
Total Liabilities	**$ 19,577,567**	**$ 19,130,375**
Deferred Inflows	**$ 714,869**	**$ 859,562**
Net Position	**$ 126,021,056**	**$ 127,437,824**

Current assets consist primarily of cash, cash equivalents, and various accounts receivables. The increase in current assets and the decrease in net capital assets in FY 2017 can be attributed to the sale of the Hawks Prairie land parcel.

Deferred outflows of resources totaling $1,793,885 are related to the net pension liability that was recorded on the College's financials.

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 decrease in current liabilities from FY 2016 to FY 2017 can be partially attributed to the payout related to the settlement of Moore vs. HCA, which was accrued as a liability in FY 2016, and a decrease in unearned revenue, as the Washington State Legislature did not pass a budget until the end of June, causing a delay in the availability of financial aid funds to pay summer quarter tuition.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees, the College's proportionate share of net pension liability, and the long-term portion of Certificates of Participation debt. The College's non-current liabilities increased due to the implementation of GASB Statement No. 73, reflecting the College's proportionate share of the net pension liability. This was offset with a decrease in the long-term portion of Certificates of Participation debt as the College pays down the principal owed on Certificates of Participation for Student Union Building and Lacey Campus Building One.

Deferred inflows of resources related to the College's net pension liability totaled $714,869. Deferred inflows or resources include the calculated difference between actual and projected investment earnings on the state's pension plans.

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

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

Restricted:

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

As stated earlier in this section, the College's net position was adjusted by $2,499,599 to reflect the implementation of GASB 73 financial reporting requirements for defined benefit pensions.

Net Position - as of June 30th	**FY 2017**	**FY 2016**
Net investment in capital assets	$120,838,417	$129,367,691
Restricted		
Expendable (3.5% Institutional Financial Aid)	$634,000	$634,018
Unrestricted	$4,548,638	($2,563,885)
Total Net Position	**$126,021,055**	**$127,437,824**

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 2017. 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.

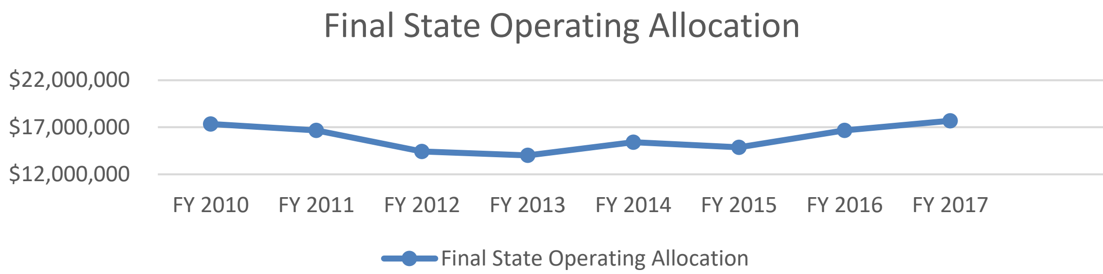
Operating expenses are expenses incurred in the normal operation of the College, including depreciation on property and equipment assets. When operating revenues, excluding state appropriations and Pell Grants, are measured against operating expenses, the College shows an operating loss. The operating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

A condensed comparison of the College's revenues, expense and changes in net position for the years ended June 30, 2017 and 2016 is presented below.

Revenues, Expenses and Changes in Net Position As of June 30th	**FY 2017**	**FY 2016**
Operating Revenues		
Student tuition and fees, net	$ 10,179,759	$ 11,791,924
Auxiliary enterprises sales	335,054	964,979
Grants and contracts	12,378,216	10,646,360
Other operating revenues	3,900,258	3,490,013
Non-operating revenues		
State appropriations	17,691,636	16,670,852
Federal Pell grant revenue	6,278,208	5,813,315
Investment income	3,197	2,914
Total revenues	50,766,328	49,380,357
Operating expenses		
Salaries and wages	22,920,111	21,977,524
Benefits	7,837,230	7,159,012
Scholarships and fellowships	7,646,527	7,803,248
Supplies and materials	1,496,709	2,615,943
Depreciation	3,504,858	3,518,966
Purchased services	1,931,609	2,208,535
Utilities	1,025,214	1,023,974
Other operating expenses	5,522,261	4,415,996
Non-operating expenses		
Building fee remittance	1,341,164	1,334,305
Innovation fund remittance	306,611	316,976
Interest on indebtedness	229,050	247,800
Total expenses	53,761,344	52,622,279
Net Revenue and Expenses	**(2,995,016)**	**(3,241,922)**
Capital appropriations	1,980,103	882,550
Change in Net Position	**(1,014,913)**	**(2,359,372)**
Net Position, Beginning of the Year	**127,437,824**	**129,797,196**
Net position change, Prior Period Adjustments	**2,097,743**	
Cumulative effect of change in accounting principle	**(2,499,599)**	
Net Position, End of the Year	**$ 126,021,055**	**$ 127,437,824**

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 2017, the SBCTC moved forward with a new allocation model, allocating funds to each of the 34 college's based on a 3 year average of FTE actuals. In FY 2017, the College saw an increase in its state allocation due to the implementation of this new model. In addition, the College received a one one-time allocation of $416,274 for a portion of its share of Moore vs HCA settlement cost.



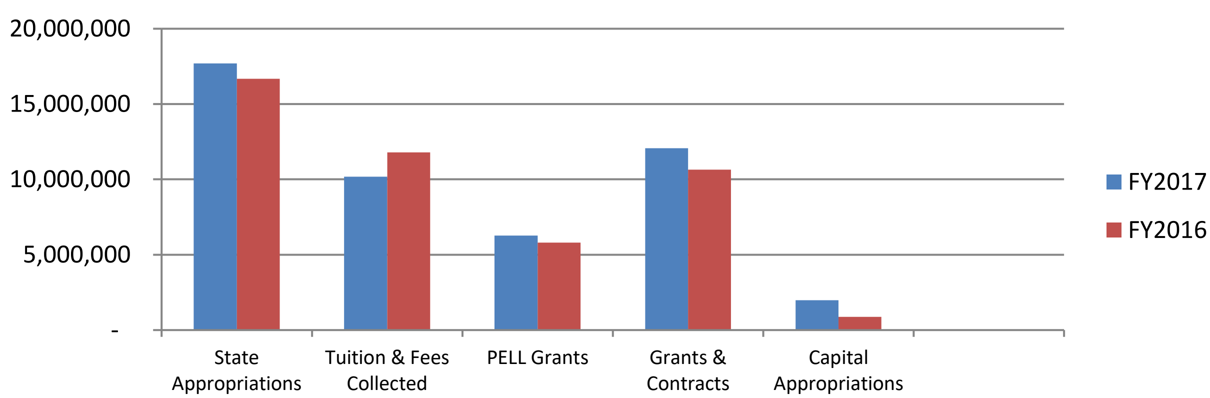
Pell grant revenue generally follows enrollment trends. Although the College's enrollment remained fairly level, the College saw a 7.4% increase in Pell grant revenue which can be attributed to a change in departmental processes in FY 2017 which allowed the College to process more aid to students. The College's slight decrease in student tuition and fees can be attributed to an increase in scholarship allowance.

In FY 2017, grant and contract revenues increased by $1,772,893 when compared with FY 2016. Part of the contract revenue increase is attributable to the Running Start program, whereby the College contracts with local high schools to enroll their Running Start students who earn both high school and college credit for the College courses. The Running Start program saw a 14.5% increase in enrollment in FY 2017.

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

Selected Elements of Revenue: for the years ended June 30, 2017 and 2016

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



Expenses

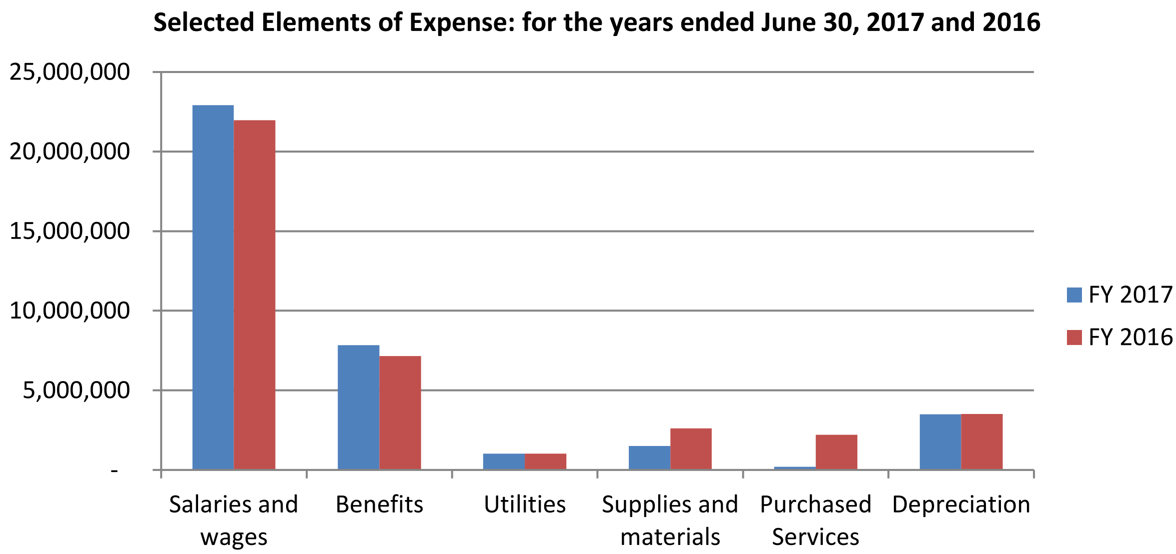
Faced with severe budget cuts over the past six years, the College has continuously sought opportunities to identify savings and efficiencies, and invest these dollars in areas that show direct correlation to fulfilling the College's mission.

In FY 2017, salary and benefit costs increased as result of the 1.8% salary increase by the Legislature, increased costs for healthcare, and having to compete in the job market in order to replace retiring exempt employees and faculty.

The College had only a slight increase in utility expenses for FY 2017 as a result of targeted efforts to reduce use, in spite of rate increases from utility providers. Purchased services are significantly lower in FY 2017, primarily as a result of a reduced spending related to capital projects. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs. These fluctuations are to be expected. In FY 2017 depreciation expense decreased slightly. All other costs are reported as operating expenses. Examples include printing and reproduction; mailing and shipping; employee training; travel; and non-capitalizable equipment, hardware and software.

Comparison of Selected Operating Expenses by Function

The chart below shows the amount, in dollars, for selected functional areas of operating expenses for FY 2017 and FY 2016.



Capital Assets and Long-Term Debt Activities

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

At June 30, 2017, the College had invested $126,018,417 in capital assets, net of accumulated depreciation. This represents a decrease of $8,974,274 from last year, as shown in the table below.

Asset Type	June 30, 2017	June 30, 2016	Change
Land	$3,295,083	$9,524,796	-$6,229,713
Construction in Progress	$1,184,767	$90,429	$1,094,338
Buildings, net	$117,504,000	$120,470,438	-$2,966,438
Other Improvements and Infrastructure, net	$2,316,473	$2,958,940	-$642,467
Equipment, net	$1,619,929	$1,813,297	-$193,368
Library Resources, net	$98,165	$134,791	-$36,626
Total Capital Assets, Net	**$126,018,417**	**$134,992,691**	**-$8,974,274**

The decrease in net capital assets can be attributed to the sale of a land parcel and annual depreciation of capital assets. Additional information on capital assets can be found in Note 5 of the Notes to the Financial Statements.

At June 30, 2017, the College had $5,180,000 in outstanding debt.

	June 30, 2017	June 30, 2016
Certificates of Participation	$5,180,000	$5,625,000

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

Following a trend that began in FY 2009, the College's state operating appropriations continued to decrease through FY 2013. Beginning FY 2016, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. This will further reduce the amount of tuition collected by the College. The Legislature did however backfill this loss.

In FY 2017, the State Board for Community and Technical College's has 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 cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state.

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

South Puget Sound Community College
Statement of Net Position
June 30, 2017

Assets	
Current Assets	
Cash and cash equivalents	15,567,467
Accounts Receivable	2,847,321
Prepaid Expenses	86,402
Total current assets	**18,501,190**
Non-Current Assets	
Capital assets, net of depreciation	126,018,417
Total non-current assets	**126,018,417**
Total Assets	**144,519,607**
Deferred Outflows of Resources	
Deferred Outflows of Resources related to Pensions	1,793,885
Total Deferred Outflows of Resources	**1,793,885**
Liabilities	
Current Liabilities	
Accounts Payable	757,741
Accrued Liabilities	1,150,716
Compensated absences	319
Deposits Payable	2,023
Unearned Revenue	1,372,729
Certificates of Participation Payable	470,000
Total current liabilities	**3,753,528**
Noncurrent Liabilities	
Compensated Absences	2,212,015
Pension Liability	8,902,024
Certificates of Participation Payable	4,710,000
Total non-current liabilities	**15,824,039**
Total Liabilities	**19,577,567**
Deferred Inflows of Resources	
Deferred Inflows of Resources related to Pensions	714,869
Total Deferred Inflows of Resources	**714,869**
Net Position	
Net Investment in Capital Assets	120,838,417
Restricted for:	
Institutional Financial Aid	634,000
Unrestricted	4,548,638
Total Net Position	**126,021,056**

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

South Puget Sound Community College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

Operating Revenues		
Student tuition and fees, net		10,179,759
Auxiliary enterprise sales		335,054
State and local grants and contracts		11,730,004
Federal grants and contracts		648,212
Other operating revenues		3,900,258
	Total operating revenue	**26,793,287**
Operating Expenses		
Salaries and wages		22,920,111
Benefits		7,837,230
Scholarships and fellowships		7,646,527
Supplies and materials		1,496,709
Depreciation		3,504,858
Purchased services		1,931,609
Utilities		1,025,214
Other operating expenses		5,522,261
	Total operating expenses	**51,884,519**
	Operating loss	**(25,091,232)**
Non-Operating Revenues (Expenses)		
State appropriations		17,691,636
Federal Pell grant revenue		6,278,208
Investment income, gains and losses		3,197
Building fee remittance		(1,341,164)
Innovation fund remittance		(306,611)
Interest on indebtedness		(229,050)
	Net non-operating revenues	**22,096,216**
Loss before capital appropriations		(2,995,016)
Capital appropriations		1,980,103
	Decrease in net position	**(1,014,913)**
Net Position		
Net position, beginning of year		**127,437,824**
Cumulative effect of change in accounting principle (note 1)		(2,499,599)
Prior Period adjustment (note 1)		2,097,743
Net position, beginning of year, as restated		**127,035,968**
Net position, end of year		**126,021,055**

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

South Puget Sound Community College
Statement of Cash Flows
For the Year Ended June 30, 2017

Cash flow from operating activities	
Student tuition and fees	9,915,449
Grants and contracts	12,658,044
Payments to vendors	(5,477,930)
Payments for utilities	(980,863)
Payments to employees	(22,887,536)
Payments for benefits	(7,777,371)
Auxiliary enterprise sales	323,668
Payments for scholarships and fellowships	(7,646,527)
Other payments	(1,468,989)
Net cash used by operating activities	**(23,342,055)**
Cash flow from noncapital financing activities	
State appropriations	21,074,660
Pell grants	6,278,208
Building fee remittance	(1,354,109)
Innovation fund remittance	(310,470)
Net cash provided by noncapital financing activities	**25,688,289**
Cash flow from capital and related financing activities	
Capital appropriations	1,753,807
Purchases of capital assets	(1,290,314)
Proceeds from sale of capital asset	5,717,546
Principal paid on capital debt	(445,000)
Interest paid	(229,050)
Net cash used by capital and related financing activities	**5,506,989**
Cash flow from investing activities	
Income of investments	3,197
Net cash provided by investing activities	**3,197**
Increase in cash and cash equivalents	**7,856,420**
Cash and cash equivalents at the beginning of the year	**7,711,047**
Cash and cash equivalents at the end of the year	**15,567,467**

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

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	(25,091,232)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	3,504,858
Changes in assets and liabilities	
Receivables , net	(79,197)
Other assets	537,709
Accounts payable	(141,430)
Accrued liabilities	(1,837,921)
Unearned revenue	(287,794)
Compensated absences	9,995
Pension liability adjustment expense	56,531
Deposits payable	(13,574)
Net cash used by operating activities	**(23,342,055)**

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

SOUTH PUGET SOUND COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2016

		2016
ASSETS		
Cash and cash equivalents	$	763,799
Certificates of deposit		100,000
Promises to give, net		161,576
Investments		6,343,771
Prepaid expenses		2,223
TOTAL ASSETS	$	7,371,369
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$	44,529
Scholarships and grants payable		168,939
Total Liabilities		213,468
NET ASSETS		
Unrestricted		1,160,625
Board designated-endowed		270,000
Total Unrestricted		1,430,625
Temporarily restricted		1,773,859
Permanently restricted		3,953,417
Total Net Assets		7,157,901
TOTAL LIABILITIES AND NET ASSETS	$	7,371,369

SOUTH PUGET SOUND COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions				
Individuals	$ 179,357	$ 328,807	$ 54,558	$ 562,722
In-kind	463,711			463,711
Dividend and interest income	23,806	89,076		112,882
Unrealized and realized gains on investments	52,569	196,354		248,923
Special events income	260,743			260,743
Net assets released from restrictions	439,673	(460,342)	20,669	
Total Revenue and Support	1,419,859	153,895	75,227	1,648,981
EXPENSES				
Scholarships and grants	454,680			454,680
Other college support	191,742			191,742
Management and general	239,684			239,684
Fundraising	98,314			98,314
In-kind services and occupancy	466,511			466,511
Total Expenses	1,450,931			1,450,931
CHANGE IN NET ASSETS	(31,072)	153,895	75,227	198,050
Net Assets, Beginning of Year	1,461,697	1,619,964	3,878,190	6,959,851
NET ASSETS, END OF YEAR	$ 1,430,625	$ 1,773,859	$ 3,953,417	$ 7,157,901

SOUTH PUGET SOUND COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016

	2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 198,050
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities	
Depreciation	2,800
Noncash stock contributions	(5,502)
Proceeds from sale on noncash contributions	5,502
Contributions restricted for long-term purposes	(54,558)
Unrealized and realized (gains) losses on investments	(248,970)
Change in assets and liabilities	
(Increase) decrease in promises to give	44,609
Increase in prepaid expenses	(50)
Increase (decrease) in accounts payable	(65,485)
Decrease in scholarships and grants payable	(4,635)
Net Cash Provided (Used) by Operating Activities	(128,239)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from certificate of deposit maturities	100,000
Proceeds from sale of investments	349,180
Purchase of investments	(285,767)
Reinvested earnings	(73,752)
Net Cash Provided (Used) by Investing Activities	89,661)
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions restricted for long-term purposes	54,558
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,980)
Cash and Cash Equivalents at Beginning of Year	747,819
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 763,799

Notes to the Financial Statements

June 30, 2017
These notes form an integral part of the financial statements.

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.

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, 2016, the Foundation distributed approximately $558,433, 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 inflows, liabilities, deferred outflows, net position, revenues, expenses, changes in net position and cash flows.

Cumulative effect of change in accounting principle

The College recorded a reduction to the beginning net position balance as a result of implementing GASB Statement No. 73. The net position has been restated as follows:

Correction to Net Position at June 30, 2016 for GASB 73 Net Pension Liability		
Net Position as previously reported at June 30, 2016	$	127,437,824
GASB 73 change - prior year net pension liability		(2,499,599)
Net Position as restated July 1, 2016 for change in accounting principle	$	124,938,225

Prior period adjustment for Treasury Cash (VPA) Receivable

The college recorded an increase to the beginning net position balance as a result of correcting for their initial financial statement entry to treasury cash (GL4310). The net position has been restated as follows:

Correction to Net Position at June 30, 2016 for Treasury Cash (VPA) Receivable		
Net Position as restated above for GASB 73 implementation	$	124,938,225
Adjustment to reflect initial statement's Treasury Cash (VPA) receivable		2,097,743
Net Position as restated July 1,2016 for prior period adjustment	**$**	**127,035,968**

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, money market funds with Morgan Stanley, and deposits with the Washington State Local Government Investment

Pool (LGIP). Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis after covering banking expenses. The internal investment pool is comprised of cash and cash equivalents.

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. 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. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized.

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

In accordance with GASB Statement 42, the college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2017, 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 next 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.

Net Pension Liability
For purposes of measuring the net pension liability in accordance with GASB 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. In FY17, the College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB 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 year end as the measurement date for reporting the pension liabilities.

Deferred Outflows of Resources and Deferred Inflows of Resources
Deferred outflows of resources represent consumption of net position that is applicable to a future period. Deferred inflows of resources represent acquisition of net position that is applicable to a future period. Changes in net position liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Net Position
The College's net position is classified as follows.

- *Net Investment in Capital Assets*. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted for Institutional Financial Aids*. The institutional financial aid funds are established for the explicit purpose of providing student support as prescribed by RCW 28B.15.820
- *Unrestricted*. These represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses.

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 have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts that primarily support the operational/educational activities of the colleges.

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

Non-operating Revenues. This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government.

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

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2017 are $5,792,416.

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 Building Fee is required to be remitted by the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the Statement of Revenues, Expenses and Changes in Net Position.

2. Accounting and Reporting Changes

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is intended to improve financial reporting of governments whose employees are provided with pensions that are not within the scope of Statement No. 68, improve the usefulness of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions not within the scope of Statement No. 68, and to clarify the application of certain provisions of Statements No. 67 and 68. In addition, it establishes requirements for defined contribution plans that are not within the scope of Statement No. 68. GASB 73 is effective for fiscal years beginning after June 15. 2016. The College has implemented this pronouncement during the 2017 fiscal year. The College recorded a beginning balance adjustment to long-term obligations of $2,499,599 as a result of the implementation of GASB Statement No. 73.

Accounting Standard Impacting the Future

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, which will be in effect for the fiscal year ending June 30, 2018. This Statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employer's through plans that are administered through trusts or equivalent arrangements. This Statement also establishes standards of accounting and financial reporting for OPEB plans that are not administered through trusts or equivalent arrangements. The College's participation in OPEB is described in Note 17, and does not currently impact the College's financial statements. As a result of implementing this Statement, the College will be required to recognize its proportionate share of the state's actuarially determined OPEB liability, net of any assets segregated and restricted in a qualified trust, together with any associated deferred inflows and deferred outflows of resources, benefit expense related to the plan, and to restate net position for all periods presented. This Statement will have a significant impact on the College's financial statements.

3. Cash and Cash Equivalents

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

The LGIP portfolio is invested in a manner that meets the requirements set forth by tl1e Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that wish to measure all of its investments at amortized costs. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP.

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

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

College funds held at Morgan Stanley are in a retail money market fund. During periods of extraordinary market stress, Morgan Stanley may impose liquidity fees of up to 2% or a redemption gate on withdrawals. The value of funds held at Morgan Stanley on June 30, 2017 is $103,766.

As of June 30, 2017, the carrying amount of the College's cash and cash equivalents was $15,567,467 as represented in the table below.

Cash and Cash Equivalents	**June 30, 2017**
Petty Cash and Change Funds	$3,700
Bank Demand and Time Deposits	$13,024,433
Local Government Investment Pool	$2,539,334
Total Cash and Cash Equivalents	**$15,567,467**

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).

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, 2017, accounts receivable were as follows.

Accounts Receivable	**Amount**
Student Tuition and Fees	$ 634,267
Due from the Federal Government	321,850
Due from Other State Agencies	1,224,882
Auxiliary Enterprises	35,994
Other	1,159,290
Less Allowance for Uncollectible Accounts	(528,962)
Accounts Receivable, net	**$ 2,847,321**

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2017 is presented as follows. The current year depreciation expense was $3,504,858.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements/ Adjustments	Ending Balance
Nondepreciable capital assets				
Land	$ 9,524,796	$ -	$ (6,229,713)	$ 3,295,083
Construction in progress	90,429	1,094,338	-	1,184,767
Total nondepreciable capital assets	9,615,225	1,094,338	(6,229,713)	4,479,850
Depreciable capital assets				
Buildings	146,343,754	-	-	146,343,754
Other improvements and infrastructure	7,300,939	-	(594,951)	6,705,988
Equipment	6,333,056	184,214	(39,972)	6,477,298
Library resources	2,302,914	11,762	-	2,314,676
Subtotal depreciable capital assets	162,280,663	195,976	(634,923)	161,841,716
Less accumulated depreciation				
Buildings	25,873,316	2,966,438	-	28,839,754
Other improvements and infrastructure	4,341,999	119,029	(71,513)	4,389,515
Equipment	4,519,759	371,003	(33,393)	4,857,369
Library resources	2,168,123	48,388	-	2,216,511
Total accumulated depreciation	36,903,197	3,504,858	(104,906)	40,303,149
Total depreciable capital assets	125,377,466	(3,308,882)	(530,017)	121,538,567
Capital assets, net of accumulated depreciation	**$ 134,992,691**	**$ (2,214,544)**	**$ (6,759,730)**	**$ 126,018,417**

6. Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

7. Accounts Payable and Accrued Liabilities

At June 30, 2017, accounts payable and accrued liabilities are the following.

Accounts Payable and Accrued Liabilities	Amount	
Amounts Owed to Employees	$	865,153
Accounts Payable	$	757,741
Amounts Held for Others and Retainage	$	285,563
Total	**$**	**1,908,457**

8. Unearned Revenue

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

Unearned Revenue	Amount	
Summer & Fall Quarter Tuition & Fees	$	1,372,729
Total Unearned Revenue	$	1,372,729

9. Risk Management

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. Payments made for claims from July 1, 2016 through June 30, 2017, were $36,463.

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.

10. 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 may get 25% of the value of their accumulated sick 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 $931,825 and accrued sick leave totaled $1,280,190 at June 30, 2017.

Accrued annual and sick leave are categorized as non-current liabilities. Compensatory time is categorized as a current liability since it must be used before other leave. The accrued compensatory time totaled $319 at June 30, 2017.

11. Leases Payable

The College has leases for office equipment with various vendors. These leases are classified as operating leases. As of June 30, 2017, the minimum lease payments under operating leases consist of the following.

Leases Payable	
Fiscal year	**Operating Leases**
2018	63,899
2019	30,513
2020	7,577
2021	3,100
2022	1,212
2023-27	0
Total minimum lease payments	106,301

12. 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 fund, which is 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 approximately 3.181%.

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

13. Annual Debt Service Requirements

Future debt service requirements at June 30, 2017 are as follows.

Annual Debt Service Requirements			
Certificates of Participation			
Fiscal year	**Principal**	**Interest**	**Total**
2018	$ 470,000	$ 209,650	$ 679,650
2019	495,000	189,150	684,150
2020	510,000	167,550	677,550
2021	195,000	145,300	340,300
2022	205,000	135,550	340,550
2023-2027	1,205,000	512,250	1,717,250
2028-2032	1,450,000	263,075	1,713,075
2033-2037	650,000	34,300	684,300
Total	**5,180,000**	**1,656,825**	**6,836,825**

14. Schedule of Long Term Liabilities

	Balance outstanding 6/30/16	**Additions**	**Reductions**	**Balance outstanding 6/30/17**	**Current portion**
Certificates of Participation	$ 5,625,000	$ -	$ (445,000)	$ 5,180,000	$ 470,000
Net pension obligation	8,238,704	2,441,122	(1,777,802)	$ 8,902,024	0
Compensated absences	2,202,517	994,617	(984,800)	$ 2,212,334	319
Total	**$ 16,066,221**	**$ 3,435,739**	**$ (3,207,602)**	**$ 16,294,358**	**$ 470,319**

15. Pension Liability

Pension liabilities reported as of June 30, 2017 consists of the following:

Pension Liability by Plan

PERS 1	$	2,785,502
PERS 2/3		2,993,714
TRS 1		802,243
TRS 2/3		312,851
SBRP		2,007,714
Total	**$**	**8,902,024**

16. Retirement Plans

A. General

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

For FY2017, the payroll for the College's employees was $6,259,442 for PERS, $1,325,658 for TRS, and $11,841,846 for SBRP. Total covered payroll was $19,426,946.

Basis of Accounting
Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 and No. 73 for South Puget Sound Community College, for fiscal year 2017:

Aggregate Pension Amounts - All Plans

Pension liabilities	$8,902,024

Deferred outflows of resources related to pensions	$1,793,885
Deferred inflows of resources related to pensions	$714,869
Pension expense	$56,531

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 (on a pay as you go basis) which is administered by the state. The College implemented Statement No. 73 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, for the fiscal year 2017 financial reporting. The College has elected to use the current fiscal year end as the measurement date for reporting net pension liabilities for the State Board Retirement Plan in alignment with the State CAFR.

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

PERS and TRS

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

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

The college has 2 faculty members with pre-existing eligibility who continue to participate in TRS 1 or 2.

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

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

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

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2017, 2016, and 2015 are as follows.

Contribution Rates at June 30

	FY 2015		FY 2016		FY 2017	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	9.21%	6.00%	11.18%	6.00%	11.18%
Plan 2	4.92%	9.21%	6.12%	11.18%	6.12%	11.18%
Plan 3	5 - 15%	9.21%	5 - 15%	11.18%	5 - 15%	11.18%
TRS						
Plan 1	6.00%	10.39%	6.00%	13.13%	6.00%	13.13%
Plan 2	4.96%	10.39%	5.95%	13.13%	5.95%	13.13%
Plan 3	5-15%	10.39%	5-15%	13.13%	5-15%	13.13%

Required/Actual Contributions

	FY 2015		FY 2016		FY 2017	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$ 15,537.66	$ 23,839.49	$ 17,414.48	$ 32,449.22	$ 14,405.08	$ 26,842.06
Plan 2	$ 223,583.09	$ 417,501.98	$ 282,862.42	$ 516,734.30	$ 304,675.55	$ 556,549.71
Plan 3	$ 56,766.61	$ 85,354.64	$ 59,719.28	$ 107,276.72	$ 61,298.48	$ 116,413.82
TRS						
Plan 1	$ 3,104.15	$ 5,375.28	$ 1,446.60	$ 3,165.60	$ 969.60	$ 2,121.84
Plan 2	$ 5,079.00	$ 10,639.27	$ 6,778.07	$ 14,929.31	$ 3,199.33	$ 7,060.00
Plan 3	$ 76,473.03	$ 90,151.05	$ 88,354.06	$ 133,331.75	$ 108,600.15	$ 164,877.10

Investments

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

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB adopted investment policies for the various asset classes in which the WSIB invests.

For the year ended June 30, 2016, the annual money-weighted rate of return on the pension investments, net of pension plan expenses are as follows:

Pension Plan	Rate of Return
PERS Plan 1	2.19%
PERS Plan 2/3	2.47%
TRS Plan 1	2.09%
TRS Plan 2/3	2.51%

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

The PERS and TRS target asset allocation and long-term expected real rate of return as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
Total	**100%**	

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

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
FY16 Pension Expense	162,921	408,404	51,515	85,302	708,142
FY17 Amortization of change in proportionate liability	17,544	(9,865)	28,072	27,175	62,926
FY16 Amortization of change in proportionate liability		72,030			72,030
Total Pension Expense	**180,465**	**470,569**	**79,587**	**112,477**	**843,098**

Changes in Proportionate Shares of Pension Liabilities
The changes to the College's proportionate share of pension liabilities from 2015 to 2016 for each retirement plan are listed below:

	2015	2016
PERS 1	0.051549%	0.051867%
PERS 2/3	0.059970%	0.059459%
TRS 1	0.022672%	0.023497%
TRS 2/3	0.021518%	0.022781%

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

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

Sensitivity of the net pension liability to changes in the discount rate
The following presents the net pension liability of the College calculated using the discount rate of 7.50 percent, as well as what the College's net pension liability would be if it were calculated

using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

Pension Plan	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS Plan 1	$ 3,359,036	$ 2,785,502	$ 2,291,942
PERS Plan 2/3	$ 5,511,965	$ 2,993,714	$ (1,558,401)
TRS Plan 1	$ 986,201	$ 802,243	$ 643,790
TRS Plan 2/3	$ 708,024	$ 312,850	$ (363,438)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions
The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2017:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 159,413	$ 98,827
Difference between expected and actual earnings of pension plan investments	$ 70,135	$ -	$ 366,344	$ -
Changes of Assumptions	$ -	$ -	$ 30,942	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ 108,046	$ 27,707
Contributions to pension plans after measurement date	$ 317,027	$ -	$ 380,201	$ -
	$ 387,162	**$ -**	**$ 1,044,946**	**$ 126,534**

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 23,666	$ 13,882
Difference between expected and actual earnings of pension plan investments	$ 25,446	$ -	$ 50,361	$ -
Changes of Assumptions	$ -	$ -	$ 3,186	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -	$ 87,209	
Contributions to pension plans after measurement date	$ 84,256	$ -	$ 87,653	$ -
	$ 109,702	**$ -**	**$ 252,075**	**$ 13,882**

The $869,137 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, 2018.

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

Year ended June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
2018	(17,269)	64,234	(6,577)	26,251	66,639
2019	(17,269)	28,218	(6,577)	26,251	30,623
2020	64,411	273,142	23,805	63,982	425,340
2021	40,261	172,617	14,794	34,072	261,744
2022	-	-	-	(14)	(14)
2023	-	-	-	-	-
Total	**$ 70,134**	**$ 538,211**	**$ 25,445**	**$ 150,542**	**$ 784,332**

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

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

<u>Plan Description</u>.
The State Board Retirement Plan is a privately administered single-employer defined contribution plan 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. South Puget Sound Community College participates in this plan as authorized by chapter 28B.10 RCW. The plan covers faculty and other positions as designated by each participating employer. 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.

<u>Contributions</u>. 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, 2017 were each $1,011,199.

<u>Benefits Provided</u>. The State Board Supplemental Retirement Plans 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 SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2017, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of $902,000. The College's share of this amount was $19,053. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2017, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $59,209. As of June 30, 2017, the Community and Technical College system accounted for $13,280,150 of the fund balance.

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2017, 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%-6.25%

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 increase from 2.85 percent to 3.58 percent and the variable income investment return assumption dropping from 6.75 percent to 6.25 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 3.58 percent for the June 30, 2017 measurement date.

Pension Expense
For the year ended June 30, 2017, South Puget Sound Community College reported $101,621 for pension expense in the Higher Education Supplemental Retirement Plans.

Proportionate Shares of Pension Liabilities
The College's proportionate share of pension liabilities for fiscal year ending June 30, 2017 was 2.11%. 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 College's, actuarially determined.

Plan Membership
The College's membership of the State Board Supplemental Retirement Plans consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Number of Participating Members				
Plan Membership	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled to But Not Yet Receiving Benefits	Active Members	Total Members
South Puget Sound Community College	3	-	134	137

Change in Total Pension Liability/ (Asset)
The following table presents the College's change in total pension liability/(asset) of the State Board Supplemental Retirement Plan at June 30, 2017, the latest measurement date for all plans:

Change in Total Pension Liability/(Asset)	
Total Pension Liability	Amount
Service Cost	$ 114,299
Interest	74,145
Changes of benefit terms	-
Differences between expected and actual experience	(534,590)
Changes of assumptions	(126,178)
Benefit Payments	(19,032)
Other	-
Net Change in Total Pension Liabilitiy	(491,356)
Total Pension Liability-Beginning	2,496,911
Total Pension Liability - Ending (A)	2,005,555

Sensitivity of the Total Pension Liability to Changes in the Discount Rate
The following table presents the College's portion of total pension liability in the State Board Retirement Plan, calculated using the discount rate of 3.58 percent, as well as what the employers' total pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

Pension Plan	(2.58%)	(3.58%)	(4.58%)
SBRP	$ 2,306,580	$ 2,007,714	1,760,198

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2017, the State Board Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

South Puget Sound Community College	SBRP Deferred Outflows	SBRP Deferred Inflows
Difference between expected and actual experience	$ -	$ 464,763
Changes of assumptions	-	109,690
Transactions subsequent to the measurement date	-	-
	$ -	**$ 574,453**

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:

Year ended June 30:	SBRP
2018	(87,047)
2019	(87,047)
2020	(87,047)
2021	(87,047)
2022	(87,047)
Thereafter	(139,218)
Total	**$ (574,453)**

D. Defined Contribution Plans

Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS).

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from PERS-covered employment.

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer Note 11.B for TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from TRS-covered employment.

Washington State Deferred Compensation Program

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

17. Other Post-Employment Benefits

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

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The health care premiums for active employees, which are paid by the agency during the employees' working careers, subsidize the "underpayments" of retirees. An additional factor in the Other Post-Employment Benefits (OPEB) obligation is a payment that is required by the

State Legislature to reduce the premiums for retirees covered by Medicare (an “explicit” subsidy). This explicit subsidy is also passed through to state agencies via active employee rates charged to the agency. There is no formal state or College plan that underlies the subsidy of retiree health and life insurance.

The actuary allocated the statewide disclosure information to the community and technical college system level. The SBCTC further allocated these amounts among the colleges. The College’s share of the GASB 45 actuarially accrued liability (AAL) is $15,286,649, with an annual required contribution (ARC) of $1,377,358. The ARC represents the amortization of the liability for FY 2017 plus the current expense for active employees, which is reduced by the current contributions of approximately $295,527. The College’s net OPEB obligation at June 30, 2017 was approximately $4,029,277. This amount is not included in the College’s financial statements.

The College paid $3,885,336 for healthcare expenses in 2017, which included its pay-as-you-go portion of the OPEB liability.

18. 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, 2017.

Expenses by Functional Classification		
Instruction	$	19,982,302
Academic Support Services		3,413,970
Student Services		5,766,973
Institutional Support		7,101,556
Operations and Maintenance of Plant		5,754,053
Auxiliary enterprises		1,530,394
Student Financial Aid		4,760,739
Compensated Absences		13,143
Pension		56,531
Depreciation		3,504,858
Total operating expenses	**$**	**51,884,519**

19. Commitments and Contingencies

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

The College has commitments of $980,000 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

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					
2018					
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					
2018					
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					
2018					
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					
2018					
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					
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 Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered 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					
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
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					
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
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					
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

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					
2019					
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	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	Total Pension Liability as a percentage of covered-employee payroll
2017	$ 114	74	-	(535)	(126)	(19)	-	$ (492)	2,500	$ 2,008	2.11%	$ 7,936	25.30%
2018													
2019													
2020													
2021													
2022													
2023													
2024													
2025													
2026													

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

State Board Supplemental Defined Benefit Plans
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.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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