Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Lake Washington Institute of Technology

For the period July 1, 2017 through June 30, 2018

Published March 28, 2019

Report No. 1023498

Office of the Washington State Auditor
Pat McCarthy

March 28, 2019

Board of Trustees
Lake Washington Institute of Technology
Kirkland, Washington

Report on Financial Statements

Please find attached our report on the Lake Washington Institute of Technology'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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Lake Washington Institute of Technology
July 1, 2017 through June 30, 2018

Board of Trustees
Lake Washington Institute of Technology
Kirkland, 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 Lake Washington Institute of Technology, as of and for the year ended June 30, 2018, 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 26, 2019. As discussed in Note 2 to the financial statements, during the year ended June 30, 2018, the College implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The financial statements of the Lake Washington Institute of Technology, 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. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2018, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

March 26, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Lake Washington Institute of Technology
July 1, 2017 through June 30, 2018

Board of Trustees
Lake Washington Institute of Technology
Kirkland, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Lake Washington Institute of Technology, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 10.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lake Washington Institute of Technology, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 2 to the financial statements, in 2018, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the Lake Washington Institute of Technology, 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. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2018, 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 10 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 26, 2019 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 26, 2019

FINANCIAL SECTION

Lake Washington Institute of Technology
July 1, 2017 through June 30, 2018

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Management's Discussion and Analysis – 2018

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Management's Discussion and Analysis

Lake Washington Institute of Technology

The following discussion and analysis provides an overview of the financial position and activities of Lake Washington Institute of Technology (the College) for the fiscal year ended June 30, 2018 (FY 2018). 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

Lake Washington Institute of Technology is one of 34 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 6,571 students. The College confers baccalaureate degrees, associates degrees, certificates and high school diplomas. The College was established in 1949 and its primary purpose is to prepare students for today's careers and tomorrow' opportunities.

The College's main campus is located in Kirkland, Washington, a community of about 87,281 residents. The College leases out a second, smaller campus nearby in Redmond to the City of Redmond. 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. In accordance with Washington State law governing technical colleges, the College's board includes one member from business and one member from labor. In addition, the college has a Governor-appointed student trustee who is prohibited from voting on personnel or collective bargaining matters. 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. 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, 2018. 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 2018, the College adopted GASB Statement No. 75, Accounting and Financial Reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). The primary objective of this Statement is to improve accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to employees of state and local governments employers. The Statement replaces requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans for OPEB. As a result of implementing Statement No. 75, the College is required to record its proportionate share of the state's actuarially determined OPEB liability, deferred inflows and deferred outflows of resources, and benefit expense. The change in accounting principle resulted in $17,349,480 in postemployment benefit 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 of resources, liabilities, deferred inflows of resources, and net position of the College as of the end of the fiscal year. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30, 2018	2018		2017	
Assets				
Current Assets	$	3,398,602	$	2,856,969
Capital Assets, net	$	54,393,242	$	55,989,523
Other Assets, non-current	$	3,996,772	$	4,001,519
Total Assets	$	61,788,616	$	62,848,011
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	$	885,804	$	1,177,328
Deferred Outflows Related to OPEB	$	257,061	$	-
Total Deferred Outflows	$	1,142,865	$	1,177,328
Liabilities				
Current Liabilities	$	4,263,181	$	2,585,977
Other Liabilities, non-current	$	21,823,019	$	8,498,911
Total Liabilities	$	26,086,200	$	11,084,888
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	$	1,476,488	$	723,352
Deferred Inflows Related to OPEB	$	2,420,602	$	-
Total Deferred Inflows	$	3,897,090	$	723,352
Net Position				
Net Investment in Capital Assets	$	54,393,242	$	55,989,523
Restricted	$	305,343	$	357,916
Unrestricted	$	(21,750,394)	$	(4,130,340)
Total Net Position, as restated	$	32,948,190	$	52,217,099

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The modest increase of current assets in FY 2018 can be attributed to the combination of an increase in cash and cash equivalents, restricted cash, accounts receivable.

Net capital assets decreased by $1,596,281 from FY 2017 to FY 2018. The decrease is primarily the result of current depreciation expense of $1,761,896. This decrease was offset in part by ongoing acquisitions of capitalizable equipment.

Non-current assets consist primarily of the long-term portion of certain investments. Noncurrent assets decreased by $4,747 due to the amortization of the discounts on bond investments.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated with the implementation of GASB Statement No. 68 in FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018. The decrease in deferred outflows reflect the College's proportionate share of an decrease in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded $1,177,328 in FY 2017 and $1,142,865 in FY2018 of pension and postemployment-related deferred outflows. The decrease reflects the change in proportionate share.

Similarly, the increase in deferred inflows in 2018 reflects the increase in difference between actual and projected investment earnings on the state's pension plans and also the implementation of GASB Statement No. 75.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. The increase in current liabilities from FY 2017 to FY 2018 is the result of implementing GASB 75 short term OPEB liability.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees. The College's non-current liabilities increased due to the implementation of GASB Statement No. 75, reflecting the College's proportionate share of the postemployment benefit liability for state's OPEB.

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

> ***Net Investment in Capital Assets –*** The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.
>
> ***Restricted:***
>
> > ***Nonexpendable –*** consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for spending but for investment purposes only. *Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Foundation. As a result, the college is not reporting any balance in this category.*

Expendable – resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset.

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 $17,334,553 due to the implementation of GASB Statement No. 75 and $14,927 prior period capital asset adjustment.

Net Position As of June 30th		**FY 2018**		**FY 2017**
Net investment in capital assets		$54,393,242		$55,989,523
Restricted				
Expendable (description)		$305,343		$357,916
Nonexpendable (description)				-
Unrestricted	$	(21,750,394)	$	(4,130,340)
Total Net Position		**$32,948,190**		**$52,217,099**

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 2018. 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, 2018 and 2017 is presented below.

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018 and 2017

	FY2018	FY2017
Operating Revenues		
Student tuition and fees, net	7,730,426	6,939,399
Auxiliary enterprise sales	948,733	908,074
State and local grants and contracts	7,796,184	7,343,524
Federal grants and contracts	1,038,942	965,697
Other operating revenues	396,065	82,391
Total Operating Revenues	17,910,350	16,239,085
Non-Operating Revenues		
State appropriations	16,534,663	15,845,621
Federal Pell grant revenue	2,960,000	2,922,821
Investment income, gains and losses	15,388	42,654
Total Non-Operating Revenues	19,510,052	18,811,095
Total Revenues	**37,420,402**	**35,050,180**
Operating Expenses by functional classification		
Salaries and wages	19,959,024	19,535,174
Benefits	7,949,540	7,277,753
Scholarships and fellowships	2,287,209	1,973,423
Supplies and materials	1,337,299	1,292,483
Depreciation	1,761,896	1,811,322
Purchased services	946,010	860,579
Utilities	848,712	885,138
Other operating expenses	3,388,737	4,528,167
Total Operating Expenses	38,478,426	38,164,040
Non-Operating Expenses	1,140,019	1,100,561
Total Expenses	**39,618,445**	**39,264,601**
Income (Loss) before capital contributions	**(2,198,043)**	**(4,214,421)**
Capital Appropriations and Contributions	263,688	1,887,165
Change in Net Position	**(1,934,356)**	**(2,327,256)**
Net Position, Beginning of the Year	52,217,099	57,313,492
Prior Period Adjustments	14,927	(74,943)
Cumulative effect of change in accounting principle	(17,349,480)	(2,694,193)
Net Position, End of the Year	**32,948,190**	**52,217,099**

Revenues

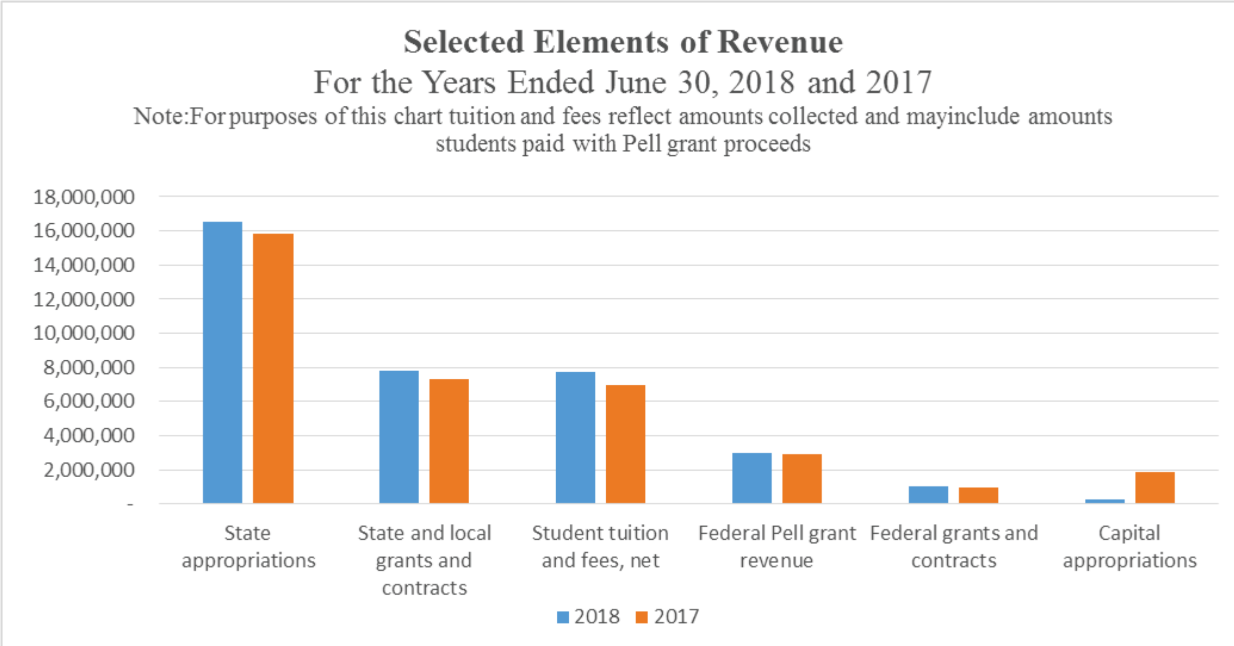
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the 34 college's based on 3 year average FTE actuals. Additionally, the Supplemental Budget also reduces the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation will continue in FY2019.

The FY 2018 increase in tuition and fee revenue is primarily attributable to the increase in tuition rates established by the Legislature. The College attempted to keep student fees as stable as possible, resulting in only small changes in these revenues.

Pell grant revenues generally follow enrollment trends. However, the College's enrollment decreased during FY 2018, yet the College's Pell Grant revenue increased slightly by $37,180.

In FY 2018, grant and contract revenues increased by $525,905 when compared with FY 2017. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses.

The College receives capital spending authority on a biennial basis 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. Expenses from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenses that meet the capitalization standard are not shown as expense in the current period and are instead recognized as depreciation expense over the expected useful lifetime of the asset.



Expenses

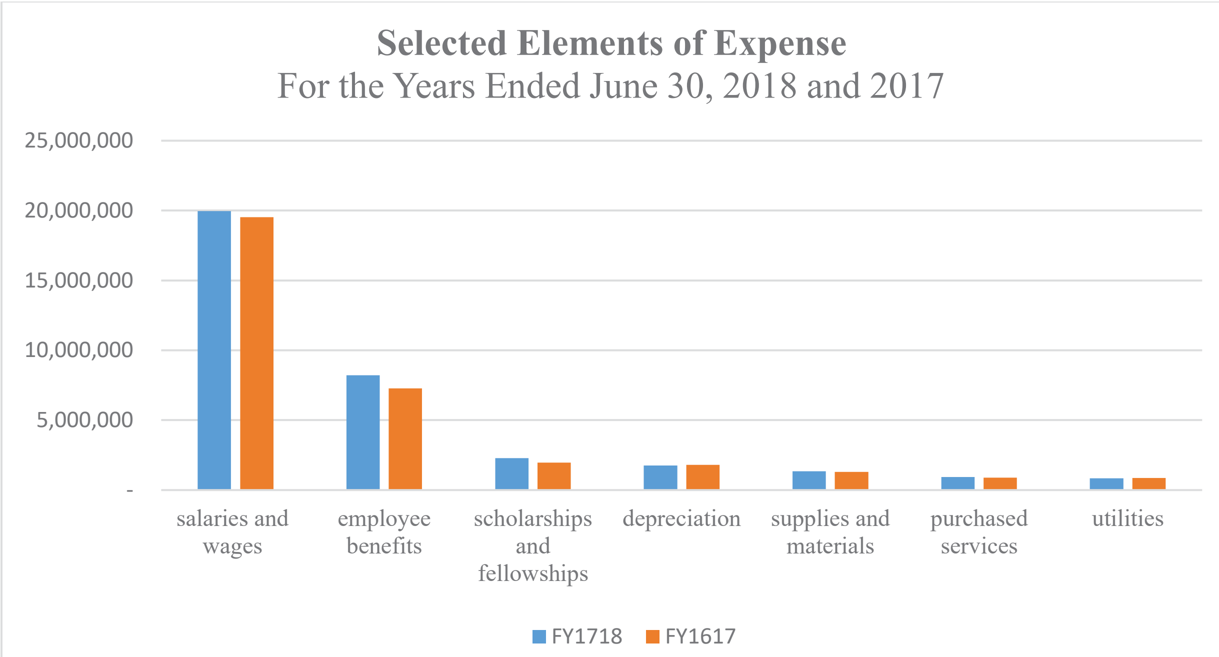
Faced with severe budget cuts over the past eight years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions.

More recently, in FY 2018, salary increased by $423,850. Benefits, as well, increased by $671,786. This increase is due to an increase in healthcare, retirement costs, and the large addition of pension related to GASB Statement No. 73 and 75 reporting.

The College has reduced utility expenses by $11,867 in FY 2018 as a result of targeted efforts to reduce use, in spite of rate increases from utility providers. Supplies and materials and purchased services are higher in FY 2018, primarily as a result of increased 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. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a slight decrease in equipment.

Comparison of Selected Operating Expenses by Function

The chart below shows the amount, in dollars, for selected functional areas of operating expenses for FY 2018 and FY 2017.



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, 2018, the College had invested $54,393,235 in capital assets, net of accumulated depreciation. This represents a decrease of $ 1,596,289 from last year, as shown in the table below.

Asset Type		**June 30, 2018**		**June 30, 2017**	**Change**
Land	$	1,896,687	$	1,896,687	-
Buildings, net		51,540,404		53,120,929	(1,580,525)
Equipment, net		885,009		873,787	11,222
Library Resources, net		71,135		98,121	(26,986)
Total Capital Assets, Net	$	54,393,235	$	55,989,524	(1,596,289)

The decrease in net capital assets can be attributed to the current year depreciation expense. Additional information on capital assets can be found on Note #6 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 2018. Beginning FY 2017, 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. The college anticipate no change to it state operating appropriations in the future year due to stagnant enrollment growth.

Lake Washington Institute of Technology
Statement of Net Position
June 30, 2018

Assets	
Current assets	
Cash and cash equivalents	1,236,061
Restricted cash	305,343
Accounts receivable	1,852,371
Interest receivable	83
Inventories	4,745
Total current assets	**3,398,602**
Non-Current Assets	
Long-term investments	3,996,772
Non-depreciable capital assets	1,896,686
Capital assets, net of depreciation	52,496,556
Total non-current assets	58,390,014
Total assets	**61,788,616**
Deferred Outflows of Resources	
Deferred outflows related to pensions	885,804
Deferred outflows related to OPEB	257,061
Total deferred outflows of resources	1,142,865
Liabilities	
Current Liabilities	
Accounts payable	650,702
Accrued liabilities	1,338,908
Compensated absences, short term	102,363
Total pension liability, short term	35,916
Deposits payable	7,435
Unearned revenue	535,707
OPEB liability, short term	1,594,497
Total current liabilities	**4,265,528**
Non-Current Liabilities	
Compensated absences	1,798,392
Net pension liability	3,448,490
Total pension liability	1,924,980
OPEB liability	14,648,810
Total non-current liabilities	21,820,672
Total liabilities	**26,086,200**
Deferred Inflows of Resources	
Deferred inflows related to pensions	1,476,488
Deferred inflows related to OPEB	2,420,602
Total deferred inflows of resources	3,897,090
Net Position	
Net Investment in Capital Assets	54,393,242
Restricted for:	
Expendable	305,343
Unrestricted (deficit)	(21,750,394)
Total Net Position	**32,948,190**

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

Lake Washington Institute of Technology
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

Operating Revenues	
Student tuition and fees, net	$ 7,730,426
Auxiliary enterprise sales	948,733
State and local grants and contracts	7,796,184
Federal grants and contracts	1,038,942
Other operating revenues	396,065
Total operating revenue	17,910,350
Operating Expenses	
Other operating expenses	3,388,737
Salaries and wages	19,959,024
Benefits	7,949,540
Scholarships and fellowships	2,287,209
Supplies and materials	1,337,299
Depreciation	1,761,896
Purchased services	946,010
Utilities	848,712
Total operating expenses	38,478,426
Operating income (loss)	(20,568,076)
Non-Operating Revenues (Expenses)	
State appropriations	16,534,663
Federal Pell grant revenue	2,960,000
Investment income, gains and losses	15,388
Building fee remittance	(901,804)
Innovation fund remittance	(238,215)
Net non-operating revenue (expenses)	**18,370,033**
Income or (loss) before capital appropriations	(2,198,043)
Capital Contributions	
Capital appropriations	263,688
Increase (Decrease) in net position	(1,934,356)
Net Position	
Net position, beginning of year	52,217,099
Cumulative effect of change in accounting principle	(17,349,480)
Net position, beginning of year, as restated	34,867,619
Prior Period Capital Asset Adjustment	14,927
Net position, end of year	$ 32,948,190

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

Lake Washington Institute of Technology
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities	
Student tuition and fees	$ 7,653,637
Grants and contracts	8,787,597
Payments to vendors	(2,062,636)
Payments for utilities	(825,814)
Payments to employees	(19,925,404)
Payments for benefits	(7,311,361)
Auxiliary enterprise sales	906,822
Payments for scholarships and fellowships	(2,287,209)
Other payments	(3,228,749)
Net cash used by operating activities	(18,293,117)
Cash flows from noncapital financing activities	
State appropriations	16,781,506
Pell grants	2,960,000
Building fee remittance	(902,302)
Innovation fund remittance	(237,718)
Net cash provided by noncapital financing activities	18,601,486
Cash flows from capital and related financing activities	
Capital appropriations	282,423
Purchases of capital assets	(313,799)
Net cash used by capital and related financing activities	(31,376)
Cash flows from investing activities	
Purchase of investments	(4,086)
Income of investments	15,388
Net cash provided by investing activities	11,302
Increase in cash and cash equivalents	287,844
Cash and cash equivalents at the beginning of the year	1,254,044
Cash and cash equivalents at the end of the year	1,541,888
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(20,568,076)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	1,761,896
Changes in assets and liabilities	
Receivables, net	(261,015)
Inventories	5,532
Accounts payable	50,044
Accrued liabilities	51,441
Unearned revenue	(75,890)
Compensated absences	71,369
Pension liability adjustment	676,839
Deposits payable	(5,258)
Net cash used by operating activities	$ (18,293,117)

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

Notes to the Financial Statements

June 30, 2018
These notes form an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

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

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

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

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

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

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

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated for general operating needs of the Colleges. The internal investment pool is comprised of cash, cash equivalents, U.S. Treasuries and U.S. Agency securities.

Accounts Receivable
Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. This also includes amounts due from federal, state and local governments or private sources as allowed under the terms of grants and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

Inventories
Inventories, consisting primarily of merchandise for resale in the college bookstore and course-related supplies, are valued at cost using first-in, first-out inventory method, also known as FIFO.

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. 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.

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, 2018, 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 summer quarter and fall 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 Statement No 68, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Beginning fiscal year 2017, the College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB 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 GASB68 but use current fiscal yearend as the measurement date for reporting the pension liabilities.

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

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

applicable to a future period. Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer transactions subsequent to the measurement date of the net pension/postemployment 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 Expendable. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
- Unrestricted. These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources and then towards restricted resources.

Prior Period Adjustments
Two capitalized Optical laser purchased at the end of FY17 for $14,927 did not get recorded until FY18.

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

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

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

Non-operating Revenues. This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2018 are $6,265,028.

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

Building and Innovation Fee Remittance
Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

Note 2 - Accounting and Reporting Changes

Reporting Changes
In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).* The scope of this Statement addresses accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to employees of state and local governmental employers. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees

are provided with defined contribution OPEB. The College has implemented this pronouncement during the 2018 fiscal year.

Due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB), the College is required to recognize its portion of the State's total OPEB liability, reducing net position by a substantial amount. Additional information regarding GASB Statement No. 75 can be found in Note 15.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The College took into consideration this guidance as it implemented GASB Statement No. 75 for OPEB.

Cumulative Effect of a Change in Accounting Principle
Beginning net position was restated by $17,349,480 in fiscal year 2018 as a result of implementing GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).*

Accounting Standard Impacting the Future
In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations,* to addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The effective of this Statement is fiscal year 2019. The College is in the process of reviewing its assets to ensure compliance with this reporting requirement.

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

Note 3 - Cash and Investments

Cash and cash equivalents include bank demand deposits, petty cash held at the College and unit shares in the Local Government Investment Pool (LGIP). Investments of surplus or pooled cash balances are reported on the accompanying Statements of Net Position, Balance Sheets, and Statements of Cash Flows as "Cash and Pooled Investments." The Office of the State

Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at fair value or amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates. For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.
The LGIP portfolio is invested in a manner that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that wish to measure all of its investments at amortized costs. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP.
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: https://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/. In addition, more information is available regarding the LGIP in the Washington State Consolidated Annual Financial report, which can be found online at https://www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report.

The College can contribute or withdraw funds in any amount from the LGIP on a daily basis. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The College adjusts its LGIP investment amounts monthly to reflect interest earnings as reported from the Office of the State Treasurer.
As of June 30, 2018, the carrying amount of the College's cash and equivalents was $1,541,404 as represented in the table below.

Cash and Cash Equivalents		**June 30, 2018**
Petty Cash and Change Funds	$	4,455
Bank Demand and Time Deposits		57,470
Local Government Investment Pool		105,173
Total Unrestricted Cash and Cash Equiva		1,068,963
Restricted Cash		305,343
Total Cash and Cash Equivalents	**$**	**1,541,404**

Custodial Credit Risks—Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The majority of the College's demand deposits are with the Bank of America. 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).

Investments

Fair Value Hierarchy

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

Level 1 inputs (quoted market prices) – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date (for example prices derived from HYSE, NASDAQ, and the Chicago Board of Trade). Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment. If a level 1 input is available for a particular investment, it must be used to value that investment.

Level 2 inputs (observable inputs) – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed on market data obtained from sources independent of the College (e.g. matrix pricing, yield curves, and indices).

Level 3 inputs (unobservable inputs) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Unobservable inputs are those that reflect the College's own assumptions about the assumptions that market participants would use in pricing the asset developed, based on the best information available in the circumstance (e.g. investment manager pricing for private placements, private equities, and hedge funds). The College categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. All of the College's investments fall within the hierarchy of Level 1.

College Investment by Type

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

Investment Maturities	Fair Value	One Year or Less	1 - 5 Years	6 - 10 Years	10 or More Years
Cash Equivalents					
Local Government Investment Pool	105,173	105,173	-	-	-
Long-Term Investments					
U.S. Agency Securities	3,996,772	2,007,030	1,989,742	-	-
Total Investments	**4,101,945**	**2,112,203**	**1,989,742**	**-**	**-**

Interest Rate Risk—Investments
The College manages its exposure to fair value losses resulting from changes in interest rates by structuring the entire portfolio time horizon. Unless matched to a specific cash flow, the college generally will not directly invest in securities maturing more than five years form the state of purchase.

Concentration of Credit Risk—Investments
State law limits College operating investments to the highest quality sectors of the domestic fixed income market and specifically excludes corporate stocks, corporate and foreign bonds, futures contracts, commodities, real estate, limited partnerships and negotiable certificates of deposit. College policy does not limit the amount the College may invest in any one issuer.

Custodial Credit Risk—Investments
Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2018, $3,996,772 of the College's operating fund investments, held by U.S. Bank in the bank's name as agent for the College, are exposed to custodial credit risk as follows.

Investments Exposed to Custodial Risk	Fair Value
U.S. Bank FNMA 12/27/18	998,954
U.S. Bank FSP 12/27/18	1,008,076
U.S. Bank RSP 10/15/20	1,002,539
U.S. Bank RSP 01/15/21	987,203
Total Investments Exposed to Custodial Risk	**$ 3,996,772**

Note 4 - Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2018, accounts receivable were as follows:

Due from Other State Agencies		264,447
Auxiliary Enterprises		119,348
Interest Receivable		83
Other		1,059,732
Subtotal		2,627,486
Less Allowance for Uncollectible Accounts		(775,032)
Accounts Receivable, net	**$**	**1,852,453**

Note 5 – Inventories

Inventories, stated at cost using FIFO as of June 30, 2018, were as follows:

Inventories	Method		Amount
Consumable Inventories		$	4,745
Inventories		**$**	**4,745**

Note 6 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2018 is presented as follows. The current year depreciation expense was $1,761,901.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	$ 1,896,687	$ -	$ -	$ 1,896,687
Construction in progress	-	-	-	-
Total capital assets, non-depreciable	1,896,687	-	-	1,896,687
Capital assets, depreciable				
Buildings	79,417,131	-	-	79,417,131
Other improvements and infrastructure	-	-	-	-
Equipment	6,690,032	192,667	(22,648)	6,860,051
Library resources	697,922	7,420	(11,827)	693,515
Total capital assets, depreciable	86,805,085	200,087	(34,475)	86,970,697
Less accumulated depreciation				
Buildings	26,296,202	1,580,525	-	27,876,727
Other improvements and infrastructure	-	-	-	-
Equipment	5,816,245	181,441	(22,644)	5,975,042
Library resources	599,801	34,405	(11,826)	622,380
Total accumulated depreciation	32,712,248	1,796,371	(34,470)	34,474,149
Total capital assets, depreciable, net	54,092,837	(1,596,284)	(5)	52,496,548
Capital assets, net	**$ 55,989,524**	**$ (1,596,284)**	**$ (5)**	**$ 54,393,235**

Note 7 - Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2018, were as follows:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 1,190,608
Accounts Payable	650,702
Amounts Held for Others and Retainage	148,299
Total	**$ 1,989,610**

Note 8 - Unearned Revenue

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

Unearned Revenue		Amount
Summer and Fall Quarter Tuition & Fees	$	535,707
Total Unearned Revenue	**$**	**535,707**

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

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2017 through June 30, 2018, were $129,914. Cash reserves for unemployment compensation for all employees at June 30, 2018, were $100,000.

Note 10 - Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave 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 $725,330 and accrued sick leave totaled $1,073,062 at June 30, 2018.

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.

Note 11 - Leases Payable

Operating Leases
The College also has leases for office equipment. These leases are classified as operating leases.

As of June 30, 2018, the minimum lease payments under the operating leases consist of the following:

Fiscal year	Equipment		Total Operating Leases	
2019	$	154,789	$	154,789
2020		154,789	$	154,789
2021		116,093	$	116,093
2022		-		-
Total minimum lease payments	**$**	**425,671**	**$**	**425,671**

Note 12 - Schedule of Long Term Liabilities

	Balance outstanding 6/30/17	Additions	Reductions	Balance outstanding 6/30/18	Current portion
Certificates of Participation	$ -	$ -	$ -	$ -	$ -
Compensation absences	1,798,043	982,461	879,745	1,900,759	102,363
Capital leases	-	-	-	-	-
Net pension liability	4,670,560	619,601	1,841,675	3,448,486	-
Total pension liability	2,164,015	688,450	891,569	1,960,896	35,916
OPEB liability	-	16,243,307	-	16,243,307	1,594,497
Total	**$ 8,632,618**	**$18,533,819**	**$ 3,612,989**	**$ 23,553,448**	**$1,732,776**

Note 13 - Pension Liability

Pension liabilities reported as of June 30, 2018 consists of the following:

Pension Liability by Plan		
PERS 1	$	1,628,795
PERS 2/3		1,559,978
TRS 1		197,843
TRS 2/3		61,874
SBRP		1,960,896
Total	**$**	**5,409,386**

Note 14 - 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 fiscal year 2018, the covered payroll for the College's retirement plans was as follows:

Covered Payroll by Plan		
PERS	$	4,381,097
TRS		290,687
SBRP		23,687,356
Total Covered Payroll	**$**	**28,359,140**

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.

In accordance with Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities to align with the State CAFR.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 and No. 73 for Lake Washington Institute of Technology, for fiscal year 2018:

Aggregate Pension Amounts - All Plans

Pension Liabilities	$	5,612,505
Deferred outflows of resources related to pensions	$	885,804
Deferred inflows of resources related to pensions	$	1,476,488
Pension Expense	$	214,984

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 also has one 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, 2018, 2017, and 2016 are as follows.

Contribution Rates at June 30

	FY 2016		**FY 2017**		**FY 2018**	
PERS	Employee	College	Employee	College	Employee	College
Plan 1	6.00%	11.18%	6.00%	11.18%	6.00%	12.70%
Plan 2	6.12%	11.18%	6.12%	11.18%	7.38%	12.70%
Plan 3	5 - 15%	11.18%	5 - 15%	11.18%	5 - 15%	12.70%
TRS						
Plan 1	6.00%	13.13%	6.00%	13.13%	6.00%	15.20%
Plan 2	5.95%	13.13%	5.95%	13.13%	7.06%	15.20%
Plan 3	5-15%	13.13%	5-15%	13.13%	5-15%	15.20%

Required Contributions

	FY 2016		**FY 2017**		**FY 2018**	
PERS	Employee	College	Employee	College	Employee	College
Plan 1	$ 157,266	$ -	$ -	$ 209,936	$ -	$ 224,317
Plan 2	163,425	217,248	209,870	216,613	249,036	255,828
Plan 3	33,472	49,568	64,982	57,581	74,624	76,390
TRS						
Plan 1	15,650	1,008	-	22,855	-	20,850
Plan 2	-	-	-	-	-	-
Plan 3	$ 16,356	$ 27,358	$ 26,155	$ 24,653	$ 23,226	$ 22,670

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, 2017, the annual money-weighted rate of return on the pension investments, net of pension plan investment expenses, are as follows:

Pension Plan	**Rate of Return**
PERS Plan 1	13.84%
PERS Plan 2/3	14.11%
TRS Plan 1	14.45%
TRS Plan 2/3	14.10%

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, 2017, 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%	4.90%
Real Estate	15%	5.80%
Public Equity	37%	6.30%
Private Equity	23%	9.30%
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
Actuarially determined pension expense	$101,669	$213,316	$ 12,720	$ 22,246	$ 349,951
Amortization of change in proportionate share of liability	(90,308)	22,820	(70,582)	3,104	(134,966)
Total Pension Expense	**$ 11,361**	**$236,136**	**$ (57,862)**	**$ 25,350**	**$214,985**

Changes in Proportionate Shares of Pension Liabilities. The changes to the College's proportionate share of pension liabilities from 2016 to 2017 for each retirement plan are listed below:

	2016	2017	Change
PERS 1	0.03605%	0.03433%	-0.00173%
PERS 2/3	0.04620%	0.04415%	-0.00205%
TRS 1	0.00868%	0.00654%	-0.00214%
TRS 2/3	0.00816%	0.00670%	-0.00146%

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, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Economic 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 Rate 7.50%	1% Increase 8.50%
PERS 1	$ 1,984,184	$ 1,628,795	$ 1,320,953
PERS 2/3	$ 4,133,041	$ 1,534,106	$ (595,337)
TRS 1	$ 246,013	$ 197,843	$ 156,148
TRS 2/3	$ 210,147	$ 61,874	$ (58,551)

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	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	60,782
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	222,024	-
Totals	**$ 222,024**	**$ 60,782**

	PERS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	155,441	50,454
Difference between expected and actual earnings of pension plan investments	-	408,956
Changes of assumptions	16,295	-
Changes in College's proportionate share of pension liabilities	84,017	80,121
Contributions subsequent to the measurement date	328,849	-
Totals	**$ 584,602**	**$ 539,531**

	TRS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	8,382
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	21,439	-
Totals	**$ 21,439**	**$ 8,382**
Difference between expected and actual earnings of pension plan investments	-	22,392
Changes of assumptions	729	-
Changes in College's proportionate share of pension liabilities	18,429	20,004
Contributions subsequent to the measurement date	23,148	-
Totals	**$ 57,735**	**$ 45,553**

The $885,801 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2019.

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
2019	(41,085)	(135,312)	(6,157)	(5,669)
2020	12,971	65,718	2,305	5,554
2021	(3,012)	(42,044)	(205)	63
2022	(29,657)	(176,436)	(4,325)	(8,813)
2023		1,868		(437)
Thereafter		2,428		(1,662)
Total	**$ (60,782)**	**$ (283,779)**	**$ (8,382)**	**$ (10,965)**

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

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

Plan Description. The State Board Retirement Plan is a privately administered single-employer defined contribution plans with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. Lake Washington Institute of Technology participates in this plan as authorized by chapter 28B.10 RCW and reports its proportionate share of the total pension liability. State Board makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2018 were each $1,162,005.

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

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

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

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

The SRP pension benefits are unfunded. For the year ended June 30, 2018, supplemental benefits were paid by the SBCTC on behalf of the College in the amount of $1,300,000. The College's share of this amount was $29,243. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2018, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $66,131. This amount was not used as a part of GASB 73 calculations its status as an asset has not been determined by the Legislature. As of June 30, 2018, the Community and Technical College system accounted for $16,351,270 of the fund balance.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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, 2017, 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 3.58 percent to 3.87 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 3.87 percent for the June 30, 2018, measurement date.

Pension Expense. For the year ended June 30, 2018, the components that make up pension expense for the College are as follows:

Proportionate Share (%)		**2.25%**
Service Cost	$	86,086
Interest Cost		79,112
Amortization of Differences Between Expected and Actual Experience		(104,239)
Amortization of Changes of Assumptions		(27,601)
Changes of Benefit Terms		-
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		**33,359**
Amortization of the Change in Proportionate Share of TPL		(4,169)
Total Pension Expense	**$**	**29,190**

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for fiscal year ending June 30, 2018 was 2.25%. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating College's. The changes to the College's proportionate share of the total pension liability from 2017 to 2018 for the SRP is listed below:

Change in Proportionate Share (%)		
2017	**2018**	**Change**
2.276712%	2.249431%	-0.027282%

Plan Membership. Membership of the State Board Supplemental Retirement Plan consisted of the following at June 30, 2018:

	Number of Participating Members			
Plan	**Inactive Members or Beneficiaries Currently Receiving Benefits**	**Inactive Members Entitled to But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
SRP	6	2	148	156

Change in Total Pension Liability. The following table presents the change in total pension liability of the State Board Supplemental Retirement Plan at June 30, 2018, the latest measurement date for the plan:

Change in Total Pension Liability

Total Pension Liability		Amount
Service cost	$	86,086
Interest		79,112
Changes of benefit terms		-
Differences between expected and actual experience		(233,986)
Changes of assumptions		(79,157)
Benefit payments		(29,243)
Other		(25,931)
Net Change in Total Pension Liability		(203,119)
Total Pension Liability - Beginning		2,164,015
Total Pension Liability - Ending	**$**	**1,960,896**

Sensitivity of the Total Pension Liability to Changes in the Discount Rate. The following table presents the total pension liability, calculated using the discount rate of 3.87 percent, as well as what the employers' total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
$ 2,236,564	$ 1,960,896	$ 1,731,612

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

State Board Supplemental Retirement Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ -	$ 624,689
Changes of Assumptions	-	168,370
Changes in College's proportionate share of pension liability	-	29,182
Transactions Subsequent to the Measurement Date		
Total	**$ -**	**$ 822,241**

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

State Board Supplemental Retirement Plan	
2019	(136,008)
2020	(136,008)
2021	(136,008)
2022	(136,008)
2023	(136,008)
Thereafter	(142,201)
	(822,241)

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.

Note 15 - Other Post-Employment Benefits

The College implemented Statement No. 75 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* for fiscal year 2018 financial reporting. In addition to pension benefits as described in Note 14, the College, through the Health Care Authority (HCA), administers a single employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

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

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

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

Summary of Plan Participants
As of June 30, 2017

Active Employees	123,379
Retirees Receiving Benefits*	46,180
Retirees Not Receiving Benefits**	6,000
Total Active Employees and Retirees	175,559

*Enrollment data for June, 2017 from Report 1: PEBB Total Member Enrollment for June 2017 Coverage report. PEBB Retirees only.

**This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future.

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

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2016, the average weighted implicit subsidy was valued at $304 per member per month, and in calendar year 2017, the average weighted implicit subsidy is projected to be $328 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2016, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar years 2017 and 2018. This will increase in calendar year 2019 to up to $168 per member per month.

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

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

For calendar year 2017, the estimated monthly cost for PEBB benefits for each active employees (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium*		
Medical	$	1,024
Dental		79
Life		4
Long-term Disability		2
Total		1,109
Employer contribution		959
Employee contribution		151
Total	$	1,110

*Per 2017 PEBB Financial Projection Model 8.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2017 which includes projected claims cost at the time of this reporting.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to:
http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

Total OPEB Liability

As of June 30, 2018, the state reported a total OPEB liability of $5.83 billion. The College's proportionate share of the total OPEB liability is $16,243,307. This liability was determined based on a measurement date of June 30, 2017.

Actuarial Assumptions. Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	3%
Projected Salary Changes	3.75% Plus Service-Based Salary Increases
Health Care Trend Rates*	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 7%, reaching an ultimate rate of approximately 5% in 2080
Post-Retirement Participation Percentag	65%
Percentage with Spouse Coverage	45%

In projecting the growth of the explicit subsidy, the cap is assumed to remain constant until 2019, at which time the explicit subsidy cap is assumed to grow at the health care trend rates. The Legislature determines the value of cap and no future increases are guaranteed, however based on historical growth patterns, future increases to the cap are assumed.

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

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2015 Economic Experience Study.

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

Actuarial Valuation Date	1/1/2017
Actuarial Measurement Date	6/30/2017
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

In order to calculate the beginning total OPEB liability balance under GASB 75, the January 1, 2017 actuarial valuation was projected backwards to the measurement date of June 30, 2016, while the ending balance was determined by projecting the January 1, 2017 valuation forward to June 30, 2017. Both the forward and backward projections reflect the plan's assumed service cost, assumed interest, and expected benefit payments.

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.85 percent for the June 30, 2016 measurement date and 3.58 percent for the June 30, 2017 measurement date.

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

Changes in Total OPEB Liability

As of June 30, 2018, components of the calculation of total OPEB lability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

Lake Washington Institute of Technology		
Proportionate Share (%)		**0.2788156818%**
Service Cost	$	1,101,197
Interest Cost		515,808
Differences Between Expected and Actual Experienc		-
Changes in Assumptions*		(2,516,118)
Changes of Benefit Terms		-
Benefit Payments		(262,864)
Changes in Proportionate Share		(210,234)
Other		-
Net Change in Total OPEB Liability		(1,372,211)
Total OPEB Liability - Beginning		17,615,518
Total OPEB Liability - Ending	**$**	**16,243,307**

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

Changes in assumptions resulted from an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate resulting in an overall decrease in total OPEB liability for the measurement date of June 30, 2017.

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of the College, calculated using the discount rate of 3.58 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

Discount Rate Sensitivity		
1% Decrease	**Current Discount Rate**	**1% Increase**
$ 19,818,839	$ 16,243,307	$ 13,476,418

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the College, calculated using the health care trend rates of 7.00 percent decreasing to 5.00 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (6.00 percent decreasing to 4.00 percent) or 1 percentage point higher (8.0 percent decreasing to 6.00 percent that the current rate:

Health Care Cost Trend Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$ 13,122,356	$ 16,243,307	$ 20,431,900

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

For the year ending June 30, 2018, the College will recognize OPEB expense of $1,314,429. OPEB expense consists of the following elements:

Lake Washington Institute of Technology	
Proportionate Share (%)	**0.2788156818%**
Service Cost	$ 1,101,197
Interest Cost	515,808
Amortization of Differences Between Expected and Actual Experience	-
Amortization of Changes in Assumptions	(279,569)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(23,007)
Administrative Expenses	-
Total OPEB Expense	**$ 1,314,429**

As of June 30, 2018, the deferred inflows and deferred outflows of resources for the College are as follows:

Lake Washington Institute of Technology		
Proportionate Share (%)	**0.2788156818%**	
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience	$ -	$ -
Changes in assumptions	2,236,549	-
Transactions subsequent to the measurement date	-	257,061
Changes in proportion	184,052	-
Total Deferred Inflows/Outflows	**$ 2,420,601**	**$ 257,061**

Amounts currently reported as deferred inflows and deferred outflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

Proportionate Share (%)		**0.2788156818%**
2019	$	(302,576)
2020	$	(302,576)
2021	$	(302,576)
2022	$	(302,576)
2023	$	(302,576)
Thereafter	$	(907,721)

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

Proportionate Share (%) 2016		**0.2821834358%**
Proportionate Share (%) 2017		**0.2788156818%**
Total OPEB Liability - Ending 2016	$	17,615,518
Total OPEB Liability - Beginning 2017		17,405,284
Total OPEB Liability Change in Proportion		(210,234)
Total Deferred Inflows/Outflows - 2016		266,039
Total Deferred Inflows/Outflows - 2017		262,864
Total Deferred Inflows/Outflows Change in Proportion		(3,175)
Total Change in Proportion	**$**	**(207,059)**

Note 16 - Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2018.

Expenses by Functional Classification		
Instruction	$	18,359,707
Academic Support Services		2,614,578
Student Services		3,210,177
Institutional Support		5,547,679
Operations and Maintenance of Plant		2,452,540
Scholarships and Other Student Financial Aid		1,442,883
Auxiliary enterprises		3,088,966
Depreciation		1,761,896
Total operating expenses	**$**	**38,478,426**

Note 17 - 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.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Lake Washington Institute of Technology's Proportionate Share of the Net Pension Liability

Schedule of Lake Washington Institute of Technology's Share of the Net Pension
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	0.032465%	$ 1,635,440	$ 3,565,085	45.87%	61.19%
2015	0.033620%	$ 1,758,639	$ 3,845,616	45.73%	59.10%
2016	0.036051%	$ 1,936,109	$ 4,329,448	44.72%	57.03%
2017	0.034326%	$ 1,628,795	$ 4,329,351	37.62%	61.24%
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Lake Washington Institute of Technology's Proportionate Share of the Net Pension Liability

Schedule of Lake Washington Institute of Technology's Share of the Net Pension 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	0.041623%	$ 841,351	$ 3,586,671	23.46%	93.29%
2015	0.043429%	$ 1,551,743	$ 3,845,616	40.35%	89.20%
2016	0.046199%	$ 2,326,083	$ 4,329,448	53.73%	85.82%
2017	0.044153%	$ 1,534,106	$ 4,329,351	35.44%	90.97%
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Lake Washington Institute of Technology's Proportionate Share of the Net Pension Liability

Schedule of Lake Washington Institute of Technology's Share of the Net Pension

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	0.007866%	$ 232,004	$ 362,237	64.05%	68.77%
2015	0.006895%	$ 218,443	$ 307,904	70.95%	65.70%
2016	0.008679%	$ 296,322	$ 399,138	74.24%	62.07%
2017	0.006544%	$ 197,843	$ 359,716	55.00%	65.58%
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Lake Washington Institute of Technology's Proportionate Share of the Net Pension Liability

Schedule of Lake Washington Institute of Technology's Share of the Net Pension 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	0.007248%	$ 23,410	$ 338,263	6.92%	96.81%
2015	0.006071%	$ 51,227	$ 282,796	18.11%	92.48%
2016	0.008159%	$ 112,047	$ 382,330	29.31%	88.72%
2017	0.006704%	$ 61,874	$ 359,716	17.20%	93.14%
2018					
2019					
2020					
2021					
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of 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	$ 147,321	$ 148,133	$ (812)	$ 3,565,085	4.16%
2015	$ 157,274	$ 157,266	$ 8	$ 3,845,616	4.09%
2016	$ 210,066	$ 210,739	$ (673)	$ 4,329,448	4.87%
2017	$ 209,888	$ 209,936	$ (47)	$ 4,329,351	4.85%
2018	$ 224,262	$ 224,317	$ (55)	$ 4,381,097	5.12%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of 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	$ 181,024	$ 182,022	$ (998)	$ 3,565,085	5.11%
2015	$ 196,907	$ 196,897	$ 10	$ 3,845,616	5.12%
2016	$ 273,966	$ 274,843	$ 877	$ 4,329,448	6.35%
2017	$ 274,132	$ 274,194	$ 62	$ 4,329,351	6.33%
2018	$ 332,136	$ 332,218	$ 81	$ 4,381,097	7.58%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of 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	$ 16,097	$ 16,954	$ (857)	$ 362,237	4.68%
2015	$ 14,192	$ 15,650	$ (1,458)	$ 307,904	5.08%
2016	$ 24,801	$ 26,419	$ (1,618)	$ 399,138	6.62%
2017	$ 22,722	$ 22,855	$ (133)	$ 359,716	6.35%
2018	$ 21,168	$ 20,850	$ 318	$ 290,687	7.17%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of 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	$ 20,114	$ 19,557	$ 557	$ 338,263	5.78%
2015	$ 16,348	$ 16,356	$ (8)	$ 282,796	5.78%
2016	$ 26,443	$ 26,950	$ (507)	$ 382,330	7.05%
2017	$ 24,509	$ 24,653	$ (144)	$ 359,716	6.85%
2018	$ 23,016	$ 22,670	$ 346	$ 290,687	7.80%
2019					
2020					
2021					
2022					
2023					

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

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Total Pension Liability and Related Ratios
Lake Washington Institute of Technology
Fiscal Year Ended June 30, 2018
(expressed in thousands)

	2017	2018
Total Pension Liability		
Service Cost	$ 123	$ 86
Interest	80	79
Changes of benefit terms	-	-
Differences between expected and actual experience	(577)	(234)
Changes of assumptions	(136)	(79)
Changes in Proportionate Share of TPL	-	(26)
Benefit Payments	(21)	(29)
Other	-	-
Net Change in Total Pension Liability	**(530)**	**(203)**
Total Pension Liability - Beginning	**2,694**	**2,164**
Total Pension Liability - Ending	**$ 2,164**	**1,961**
College's Proportion of the Pension Liability	2.28%	2.25%
Covered-employee payroll	$ 12,912	$ 13,226
Total Pension Liability as a percentage of covered-employee payroll	16.76%	14.83%

Notes: 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.

Required Supplementary Information
Other Postemployment Benefits Information

Schedule of Changes in Total OPEB Liability and Related Ratios Fiscal Year Ended June 30		
Total OPEB Liability		**2018**
Service cost	$	1,101,197
Interest cost		515,808
Difference between expected and actual experience		-
Changes in assumptions		(2,516,118)
Changes in benefit terms		-
Benefit payments		(262,864)
Changes in proportionate share		(210,234)
Other		-
Net Changes in Total OPEB Liability	$	(1,372,211)
Total OPEB Liability - Beginning	$	17,615,518
Total OPEB Liability - Ending	$	16,243,307
College's proportion of the Total OPEB Liability (%)		0.278816%
Covered-employee payroll	$	19,862,290
Total OPEB Liability as a percentage of covered-employee payroll		81.779628%

This schedule is to be built prospectively until it contains ten years of data.

Notes to Required Supplementary Information

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

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.

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