Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Pierce College

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

Published April 22, 2019

Report No. 1023601

Office of the Washington State Auditor
Pat McCarthy

April 22, 2019

Board of Trustees
Pierce College
Lakewood, Washington

Report on Financial Statements

Please find attached our report on the Pierce College's financial statements.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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

Pierce College
July 1, 2017 through June 30, 2018

Board of Trustees
Pierce College
Lakewood, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Pierce College, 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 April 10, 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*.

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

The financial statements of the Pierce College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

April 10, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Pierce College
July 1, 2017 through June 30, 2018

Board of Trustees
Pierce College
Lakewood, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Pierce College, 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 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Pierce College, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 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 Pierce College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 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 11 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 April 10, 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

April 10, 2019

FINANCIAL SECTION

Pierce College
July 1, 2017 through June 30, 2018

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Overview of the Financial Statements and Financial Analysis
Pierce College is pleased to present its financial statements for fiscal year 2018. While audited financial statements for fiscal year 2017 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on the current year data.

The financial statements presented in this report encompass the College and it's discretely presented component unit*(s)*. The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health as a whole.

This discussion and analysis provides an overview of the financial position and activities of Pierce College (the College) for the fiscal year ended June 30, 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 should be read in conjunction with the College's financial statements and accompanying note disclosures.

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

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

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

During 2018, the College adopted 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 similar to GASB Statement No. 68. The change in accounting principle resulted in a restatement of net position of $(32,964,011). Additional information can be found in Note 15.

Condensed Summary of Net Position

	June 30, 2018	June 30, 2017	Change
Assets			
Current assets	$ 34,170,703	$ 30,050,364	$ 4,120,339
Capital assets, net	149,832,792	153,961,945	(4,129,153)
Other assets, non-current	14,306,234	14,527,063	(220,829)
Total assets	**198,309,729**	**198,539,372**	**(229,643)**
Deferred outflows of resources			
Deferred outflows related to pensions	2,712,990	3,235,629	(522,639)
Deferred outflows related to OPEB	490,209	-	490,209
Total deferred outflows	**3,203,199**	**3,235,629**	**(32,430)**
Liabilities			
Current liabilities	13,227,179	10,134,540	3,092,639
Other liabilities, non-current	50,385,661	26,082,927	24,302,734
Total liabilities	**63,612,840**	**36,217,467**	**27,395,373**
Deferred inflows of resources			
Deferred inflows related to pensions	3,108,525	1,349,801	1,758,724
Deferred inflows related to OPEB	4,508,438	-	4,508,438
Total deferred inflows	**7,616,963**	**1,349,801**	**6,267,162**
Net position			
Net investment in capital assets	145,267,792	148,966,945	(3,699,153)
Restricted	1,238,968	828,204	410,764
Unrestricted	(16,223,635)	(18,551,427)	2,327,792
Total net position	**$ 130,283,125**	**$ 131,243,722**	**$ (960,597)**

**Prior year balances restated for comparability*

Current assets consist primarily of cash, investments, and various accounts receivables. The increase of current assets in FY 2018 can be attributed to an increase in operating revenue with deliberate planning regarding necessary one-time and temporary spending in FY 2019. Highlights include replacing the Pierce College Fort Steilacoom Sewer Pump Station, a District wide public address system, as well as implementation of ctcLink. ctcLink is the implementation of a single, centralized system of online functions to give students, faculty and staff anytime, anywhere access to a modern, efficient way of doing their college business. The current statewide system for the community and technical colleges is 35 years old. Pierce College District is planned to deploy ctcLink in January/February of 2020.

Net capital assets decreased by $4,129,153 from FY 2017 to FY 2018. The decrease is primarily the result of current depreciation expense of $5,082,601. This decrease was offset in part by ongoing acquisitions of capitalizable equipment.

Deferred outflows of resources and deferred inflows of resources represent pension-related deferrals 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 College recorded $3,235,629 in FY 2017 and $2,712,990 in FY 2018 of pension-related deferred outflows. The decrease in deferred outflows related to pensions reflect the College's proportionate share of a decrease in the state-wide amounts reported by the DRS due to differences between expected and actual experience related to the actuarial assumptions. In addition, the College recorded a deferred outflows related to implementation OPEB, all of which is related to employer contributions subsequent to the measurement date.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. The increase in current liabilities from FY 2017 to FY 2018 is primarily the result of implementation of GASB Statement No. 75 related to OPEB liability reporting.

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

The College's non-current liabilities increased due to the implementation of GASB Statement No. 75, reflecting the College's proportionate share of the postemployment benefit liability for the state's OPEB. This increase was slightly offset by a decrease in the College's proportionate share in pension liabilities.

The increase in deferred inflows in 2018 reflects the increase in difference between projected and actual investment earnings on the state's pension plans. The College recorded $1,349,801 in FY 2017 and $3,108,525 in FY 2018 of pension-related deferred inflows. The increase reflects the change in proportionate share. Additionally, the College recorded a deferred inflows related to the implementation of OPEB, all of which is related to changes in assumptions.

Statement of Revenues, Expenses and Changes in Net Position

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

The Condensed Statement of Revenues, Expenses and Changes in Net Position is presented as follows:

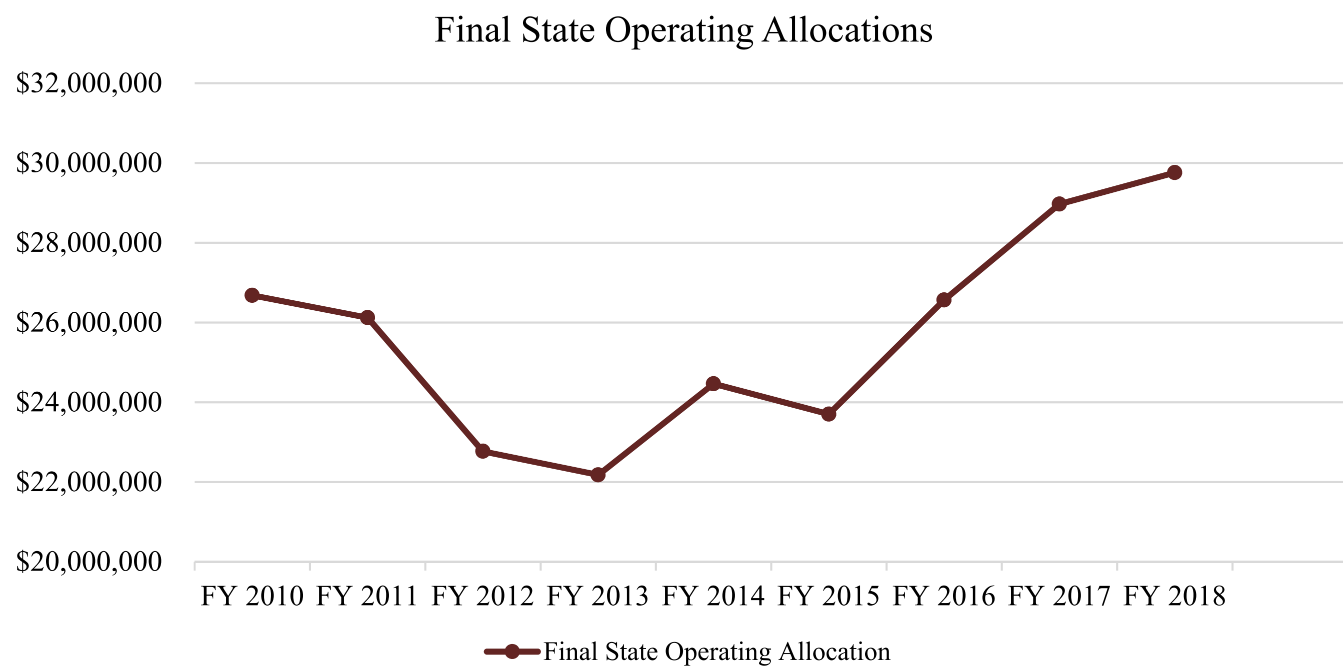
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2018	June 30, 2017	Change
Operating revenues			
Student tuition and fees, net	$ 26,029,195	$ 27,124,278	$ (1,095,083)
Auxiliary enterprise sales	1,429,775	1,186,400	243,375
State and local grants and contracts	20,309,952	18,161,696	2,148,256
Federal grants and contracts	1,510,115	875,067	635,048
Other operating revenues	577,200	393,912	183,288
Interest on loans to students	-	4,742	(4,742)
Total operating revenues	**49,856,237**	**47,746,095**	**2,110,142**
Operating expenses	**91,374,541**	**90,758,250**	**616,291**
Operating loss	**(41,518,304)**	**(43,012,155)**	**1,493,851**
Non-operating revenues			
State appropriations	29,740,165	28,965,270	774,895
Federal Pell grant revenue	12,710,502	12,320,201	390,301
Investment income, net	189,388	(37,752)	227,140
Non-operating expenses	(2,899,112)	(2,875,380)	(23,732)
Net non-operating revenues (expenses)	**39,740,943**	**38,372,339**	**1,368,604**
Income (loss) before capital contributions	**(1,777,361)**	**(4,639,816)**	**2,862,455**
Capital appropriations	816,764	4,031,669	(3,214,905)
Decrease in net position	**(960,597)**	**(608,147)**	**(352,450)**
Net position, beginning of year	164,207,733	169,392,570	(5,184,837)
Change in accounting principle	(32,964,011)	(4,576,690)	(28,387,321)
Net position, end of year	**$ 130,283,125**	**$ 164,207,733**	**$ (33,924,608)**

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

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

Revenues
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2017, the SBCTC moved forward with a new allocation model. 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. In FY 2018, the College saw a 2.72% increase in its state allocation.

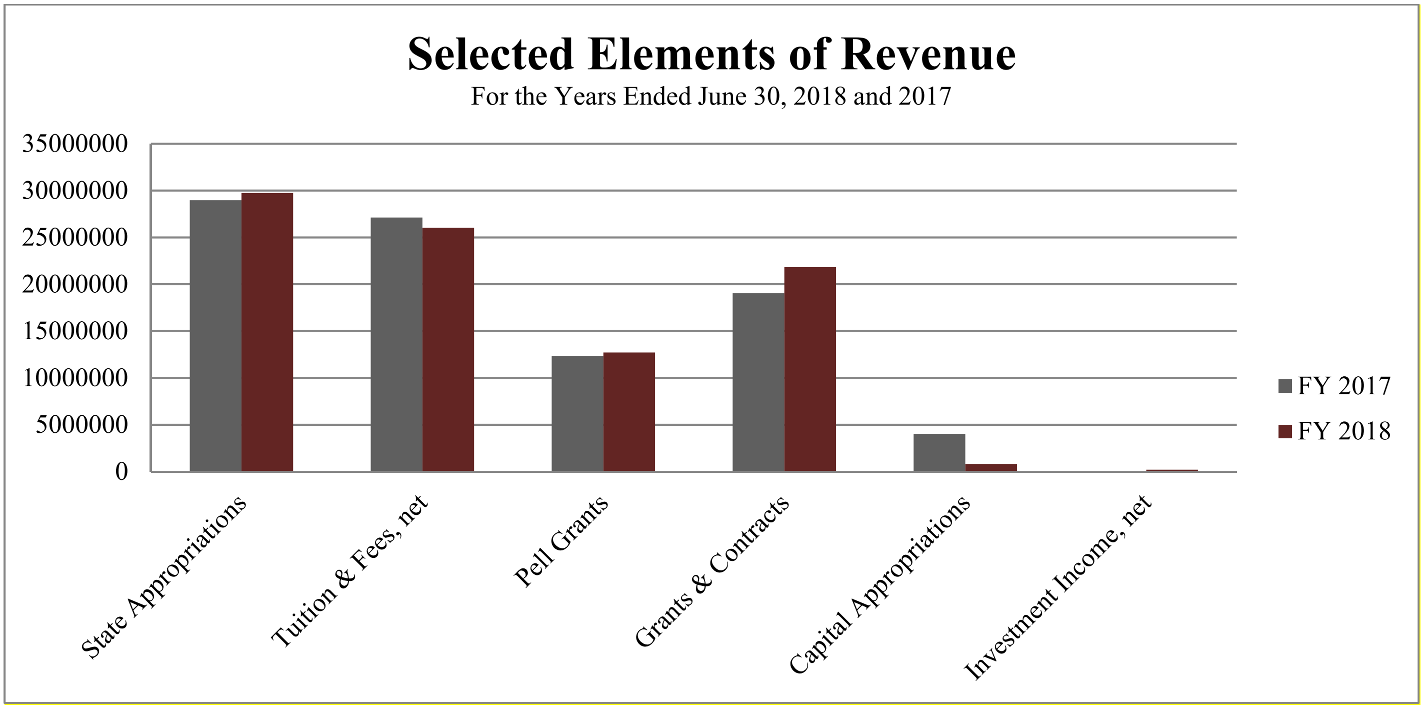


In FY 2018, the College's decrease in tuition and fee revenue is primarily attributable to a 22.93% decrease in contracted students that pay on a fee-only basis, as allowed by law. In addition state enrollment declined by 0.41%.

Pell Grant revenues generally follow enrollments trends. However, as the College's enrollment remained relatively stable during FY 2018, the Pell Grant revenue increased by 3.17%. This can be ascribed to the increase in the allowable maximum Federal Pell Grant award from $5,920 to $6,095 in FY 2018. The College attempted to keep other fees as stable as possible, resulting in only small changes in these revenues.

In FY 2018, state and local grant and contract revenues increased by $2,148,256 when compared with FY 2017. This is primarily attributable to an increase of 14.24% in Running Start enrollments as well as an increase in the Running Start reimbursement rates. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College entered its final year as a recipient of a Department of Education – Fund for the Improvement of Postsecondary Education grant CFDA No. 84.116, as well as its second year as a recipient of the Department of Education – Asian American Native Pacific Islander Serving Institution (AANAPISI) grant CFDA No. 84.382. In FY 2018 Pierce was also awarded the Department of Education – TRIO Upward Bound grant CDA No. 84.047. This grant is $1,319,685 over five years.

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

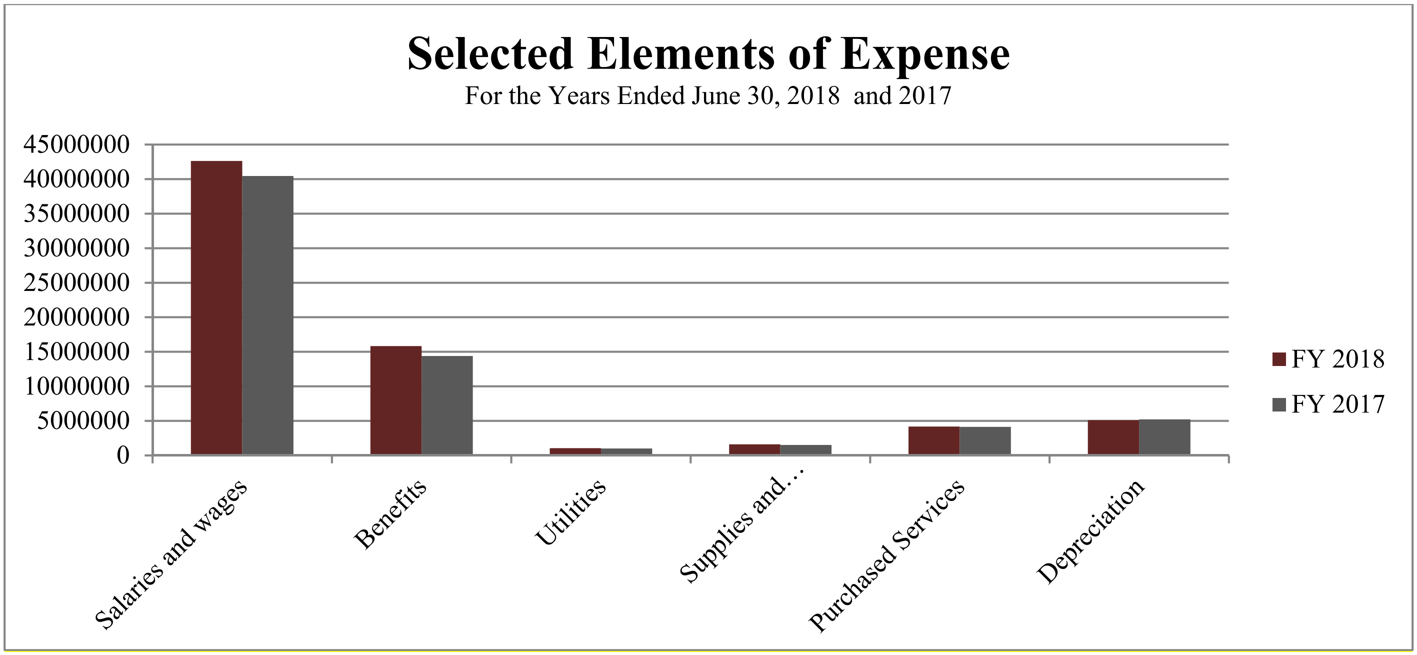


Expenses

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

More recently, in FY 2018, salary and benefit costs increased as result of adding positions (classified, exempt, and faculty), increased costs for healthcare, cost of living adjustments, and having to compete in the job market in order to replace retiring exempt employees and/or faculty. Pension adjustments related to GASB 68, 73 and 75 impacted benefit costs as well.

The College had only a slight increase in utility expenses for FY 2018 as a result of targeted efforts to reduce use, in spite of rate increases from utility providers. Supplies and materials saw a slight increase as well. Purchased services saw an increase in FY 2018 primarily as a result of specifically targeted initiatives designed to increase institutional effectiveness. In FY 2018 depreciation decreased marginally. All other costs are reported as other expenses. Examples include: printing and reproduction; employee training; travel; and non-capitalizable equipment, hardware and software.



Statement of Cash Flows

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

Capital Assets and Long-Term Debt Activities

At June 30, 2018, the College had invested $149,832,792 in capital assets, net of accumulated depreciation. This represents a decrease of $4,129,153 from last year, as shown in the table below.

	June 30, 2018	June 30, 2017	Change
Land	$ 726,552	$ 726,552	$ -
Construction in progress	183,195	4,845	178,350
Buildings, net	145,217,379	149,498,511	(4,281,132)
Other improvements and infrastructure, net	1,420,249	1,554,176	(133,927)
Equipment, net	1,824,830	1,712,028	112,802
Library resources, net	460,587	465,833	(5,246)
Total capital assets, net	**$ 149,832,792**	**$ 153,961,945**	**$ (4,129,153)**

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

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

At June 30, 2018, the College had $4,565,000 in outstanding debt. The College entered into a Certificate of Participation (COP) for the Pierce College Fort Steilacoom Health Education Center (HEC) during FY 2006 as well as the Pierce College Puyallup Health Education Center (HEP) in FY 2007. In FY 2016 both COPs were refunded by the state of Washington with new bond issuances at lower interest rates.

See Note 10 for additional information on certificates of participation payable, Note 11 for annual debt service requirements and Note 12 for the schedule of long-term liabilities. .

Economic Outlook

While Washington's strong economy continues to produce increased operating revenue, the legislature's mandate to fully fund K-12 public education leaves little discretionary funding left for the community and technical college system. As a result, it is likely that Pierce College will only realize new revenue through increases in tuition and Running Start reimbursement rates, both of which are set at the state level.

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

Pierce's financial position is one of low capital debt, no operating debt, stable operating budget, and overall reserves that translate to roughly three months of operating costs. Pierce's annual on-going operating budget is approximately $58 million. While Pierce's overall budget has varied over the past five years due to the natural cycles of reserve expenditures, the remainder of the budget has been relatively steady. Pierce develops and adheres to a balanced operating budget each year. A financial dashboard report is prepared for each Board of Trustees meeting; this includes the district's current position on key elements, including any new budget resources received during the year, budget to actual spending, state-funded and Running Start enrollments, cash tuition collections, and major capital project obligations and spending.

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

In developing the annual operating budget, issues of long-term obligations and solvency are considered. Efforts to formalize long-term planning have been hampered by the unpredictability of state funding, which continues to represent the largest resource available to the district. Pierce's largest investment is its employees, with salaries and benefits accounting for approximately 83% of each year's operating budget.

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

In the 2017-2019 biennium, the legislature did not fully fund the authorized COLA increases for all state employees. Consequently, the college cut over $880,000 in services to make up for budget gaps from state funding. The College has embarked on intensive initiatives designed to close achievement gaps and increase completion of degrees and certificates. These initiatives are resource intensive, and lack of funding will negatively impact our ability to further increase our graduation rates and close the achievement gaps among our students.

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

Pierce College
Statement *of* Net Position
As of June 30, 2018

Assets	
Current assets	
Cash and cash equivalents	$25,798,402
Restricted cash	1,238,968
Short-term investments	1,793,299
Accounts receivable, net	5,291,201
Interest receivable	16,651
Prepaid expenses	32,182
Total current assets	34,170,703
Non-current assets	
Long-term investments	14,306,234
Non-depreciable capital assets	909,747
Capital assets, net	148,923,045
Total non-current assets	164,139,026
Total assets	**198,309,729**
Deferred outflows of resources	
Deferred outflows related to pensions	2,712,990
Deferred outflows related to OPEB	490,209
Total deferred outflows of resources	**3,203,199**
Liabilities	
Current liabilities	
Accounts payable	1,369,267
Accrued liabilities	6,234,478
Deposits payable	1,600
Unearned revenue	2,068,114
Certificates of participation payable, current portion	450,000
Total pension liability, short-term	63,052
Total OPEB liability, short-term	3,040,668
Total current liabilities	13,227,179
Non-current liabilities	
Compensated absences	5,047,523
Certificates of participations payable, long-term portion	4,115,000
Net pension liabilty	9,908,808
Total pensions liability	3,379,390
Total OPEB liability	27,934,940
Total non-current liabilities	50,385,661
Total liabilities	**63,612,840**
Deferred inflows of resources	
Deferred inflows related to pensions	3,108,525
Deferred inflows related to OPEB	4,508,438
Total deferred inflows of resources related to pensions	**7,616,963**
Net Position	
Net Investment in Capital Assets	145,267,792
Restricted for expendable purposes:	
Institutional Financial Aid	1,236,061
Retainage	2,907
Unrestricted (deficit)	(16,223,635)
Total Net Position	**$130,283,125**

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

Pierce College
Statement *of* Revenues, Expenses *and* Changes *in* Net Position
For the year ended June 30, 2018

Operating revenues	
Student tuition and fees, net	$26,029,195
Auxiliary enterprise sales	1,429,775
State and local grants and contracts	20,309,952
Federal grants and contracts	1,510,115
Other operating revenues	577,200
Total operating revenues	49,856,237
Operating expenses	
Other operating expenses	6,314,915
Salaries and wages	42,608,063
Benefits	15,814,507
Scholarships and fellowships	14,755,760
Supplies and materials	1,597,946
Depreciation	5,082,601
Purchased services	4,167,933
Utilities	1,032,816
Total operating expenses	91,374,541
Net operating loss	**(41,518,304)**
Non-operating revenues (expenses)	
State appropriations	29,740,165
Federal Pell grant revenue	12,710,502
Investment income, net of expense	189,388
Building fee remittance	(2,153,488)
Innovation fund remittance	(497,924)
Interest on indebtedness	(247,700)
Net non-operating revenues (expenses)	39,740,943
Loss before capital appropriations	**(1,777,361)**
Capital appropriations	816,764
Decrease in net position	**(960,597)**
Net Position	
Net position, beginning of year	164,207,733
Cummulative effect of change in accounting principle	(32,964,011)
Net position, beginning of year, restated	131,243,722
Net position, end of year	**$130,283,125**

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

Pierce College
Statement *of* Cash Flows
For the year ended June 30, 2018

Cash flow from operating activities	
Student tuition and fees	$26,734,348
Grants and contracts	23,607,232
Payments to vendors	(5,115,614)
Payments for utilities	(973,095)
Payments to employees	(42,463,710)
Payments for benefits	(14,936,919)
Auxiliary enterprise sales	1,305,279
Payments for scholarships and fellowships	(14,755,760)
Other payments	(8,747,207)
Net cash used by operating activities	**(35,345,446)**
Cash flow from noncapital financing activities	
State appropriations	29,204,210
Federal Pell grants	12,710,502
Building fee remittance	(2,152,461)
Innovation fund remittance	(497,531)
Net cash provided by noncapital financing activities	**39,264,720**
Cash flow from capital and related financing activities	
Capital appropriations	1,343,953
Purchases of capital assets	(953,460)
Principal paid on capital debt	(430,000)
Interest paid on capital debt	(247,700)
Net cash provided by capital and related financing activities	**(287,207)**
Cash flow from investing activities	
Purchases of investments	(9,091,552)
Proceeds from sales and maturities of investments	10,288,779
Investment income	189,388
Net cash provided by investing activities	**1,386,615**
Net increase in cash and cash equivalents	5,018,682
Cash and cash equivalents, beginning of year	22,018,688
Cash and cash equivalents, end of year	**$27,037,370**
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	($41,518,304)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	6,082,601
Receivables, net	(57,938)
Prepaid expenses	(12,761)
Accounts payable	345,270
Accrued liabilities	175,198
Unearned Revenue	(549,755)
Compensated absences	272,309
Pension liability adjustment expense	919,729
Deposits payable	(1,795)
Net cash used by operating activities	($34,345,446)
Noncash investing, capital and financing activities	
Decrease in fair value of investments	($146,426)

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

Pierce College Foundation
Non-Governmental Discretely Presented Component Unit
Statements *of* Financial Position
As of December 31, 2017

		2017
ASSETS		
Cash	$	218,320
Accounts receivable		31,223
Investments		913,683
Endowment receivable		667,023
Pledges receivable, net		114,499
Property and equipment, net		3,102,208
TOTAL ASSETS	$	5,046,956
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$	2,990
Due to Pierce College		4,931
Unearned rent revenue		60,250
Notes payable		2,962,574
TOTAL LIABILITIES		3,030,745
Net Assets:		
Unrestricted net assets		174,844
Temporarily restricted net assets		1,420,433
Permanently restricted net assets		420,934
TOTAL NET ASSETS		2,016,211
TOTAL LIABILITIES AND NET ASSETS	$	5,046,956

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

Pierce College Foundation
Non-Governmental Discretely Presented Component Unit
Statements *of* Activities *and* Changes *in* Net Assets
For the year ended December 31, 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	$ 50,920	$ 307,528	$ 30,099	$ 388,547
Private grants	---	122,095	---	122,095
In-kind contributions	285,116	34,059	---	319,175
Special events, net of expense of $102,452 and $41,210 in 2017 and 2016	---	80,053	---	80,053
Contracts	---	410,338	---	410,338
Investment income	130,688	84,439	10,705	225,832
Rental income	---	214,389	---	214,389
Net assets released from restriction	754,232	(754,232)	---	---
TOTAL SUPPORT AND REVENUE	1,220,956	498,669	40,804	1,760,429
EXPENSES				
In-kind salaries, payroll taxes and benefits	258,392	---	---	258,392
Scholarships	185,191	---	---	185,191
Interest and finance charges	145,172	---	---	145,172
Program enhancements	138,723	---	---	138,723
Reimbursements	136,474	---	---	136,474
Consulting and other professional services	91,920	---	---	91,920
Depreciation	64,520	---	---	64,520
In-kind materials and supplies	47,173	---	---	47,173
Utilities	33,937	---	---	33,937
Other	24,880	---	---	24,880
Property taxes	23,913	---	---	23,913
Capital campaign	22,806	---	---	22,806
Insurance	17,691	---	---	17,691
Endowments	16,208	---	---	16,208
In-kind occupancy	13,610	---	---	13,610
Supplies	11,705	---	---	11,705
Investment fees	10,683	---	---	10,683
Student housing	7,679	---	---	7,679
Special projects	7,643	---	---	7,643
Donor hosting	6,038	---	---	6,038
Contributions to Pierce College	---	---	---	---
TOTAL EXPENSES	1,264,358	---	---	1,264,358
CHANGE IN NET ASSETS	(43,402)	498,669	40,804	496,071
NET ASSETS, Beginning	218,246	921,764	380,130	1,520,140
NET ASSETS, Ending	$ 174,844	$ 1,420,433	$ 420,934	$ 2,016,211

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

Pierce College Foundation
Non-Governmental Discretely Presented Component Unit
Statements *of* Cash Flows
For the year-ended December 31, 2017

		2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers, contributions, and Pierce College	$	1,107,122
Cash paid to suppliers and Pierce College		(899,888)
Interest and dividends received		36,231
Interest paid		(143,355)
NET CASH PROVIDED BY OPERATING ACTIVITIES		100,110
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and construction in progress		---
Purchases of investments		(43,866)
Proceeds from redemption of investments		691,763
Endowment proceeds received by Greater Tacoma Community Foundation (GTCF)		(628,443)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		19,454
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable		130,085
Payments of note payable		(228,645)
Contributions permanently restricted		30,099
NET CASH USED BY FINANCING ACTIVITIES		(68,461)
NET INCREASE (DECREASE) IN CASH		51,103
CASH, Beginning		167,217
CASH, Ending	$	218,320
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$	496,071
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		64,520
Amortization on loan fees		1,816
Net realized and unrealized gain on investments		(189,601)
Donated investments		(15,976)
Donated property and equipment		---
Contributions permanently restricted		(30,099)
Change in discount and allowance of pledges receivable		(8,961)
(Increase) in:		
Accounts receivable		(2,786)
Pledges receivable		(55,228)
Endowment receivable, net		---
Increase (decrease) in:		
Accounts payable		(119,480)
Due to Pierce College		(44,916)
Unearned rent revenue		4,750
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	100,110

DISCLOSURE OF ACCOUNTING POLICY AND NONCASH TRANSACTIONS

For the purposes of these financial statements, the Foundation considers cash to include cash in banks and liquid investments with original maturities of three months or less. For the year-ended December 31, 2017, noncash transactions consisted of donated materials for approximately $319,000. Additionally, the Foundation used approximately $363,000 of new loans to pay off another loan in 2017.

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

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

Nature of Organization

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

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

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

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

During the 2017-18 academic year, Pierce District enrolled 16,170 students (unduplicated count) across all program areas and locations, generating 8,533 full time equivalent students. Of these, 56% were enrolled in an academic transfer program, 34% a Professional/Technical degree or certificate program, 4% in Basic Skills courses, and 6% in courses for personal interest. Students enrolled for an average of 11.6 credits. Of the 2017-18 student body, 61% of students were female; 56% were under the age of 26; 13% enrolled in Running Start (dual enrolled in high school and college); 48% reported their race/ethnicity as white, 15% as Hispanic/Latino, 8% as African American, 9% as Asian/Pacific Islander, 9% as multiracial or other, 1% as Native American, 3% as international students, and 7% chose not to disclose their race/ethnicity.

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

Discretely Presented Component Units

The Pierce College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 2003 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to build relationships with the community and acquire resources to support academic excellence and educational access at Pierce College. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the college or its students, the Foundation is considered a discrete component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Pierce College Foundation is governed by an independent Board consisting of community members; Pierce has a Memorandum of Understanding with the Foundation which addresses the type and value of support provided to the foundation by the district, and expectation of foundation support to district programs. In 2015, the Foundation purchased and began renovation on a 63-student residence hall for Pierce College students. The relationship with the district relative to the use of the residence hall is governed by a separate Memorandum of Understanding.

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

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2018, the Foundation distributed $327,994 to the College for restricted and unrestricted purposes. The Foundation has a year-end of December 31st. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 1601 39th Avenue SE, Puyallup, WA 98374.

Joint Ventures

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

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

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

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

IPS has a year-end of June 30th. A copy of IPS's complete financial statements may be obtained from the IPS's Administrative Offices at 4500 Steilacoom Blvd SW. Bldg. 19, Lakewood, WA 98499.

Financial Statement Presentation

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

Use of Estimates

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

Basis of Accounting
For financial reporting purposes, the College, along with the Pierce College Foundation, its discretely presented component unit, is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows. Student tuition and fees are presented net of scholarships and fellowships applied to student accounts, while payments made directly are presented as scholarship and fellowship expenses. 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 Pierce College Foundation (the Foundation) is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including Accounting Standards Codification Topic 958, Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for those differences.

Cash, Cash Equivalents and Investments
The amounts shown in the financial statements in College funds as "cash and cash equivalents" represent petty cash, cash on deposit in banks, certain funds invested with Charles Schwab, and deposits with the Washington State Local Government Investments Pool (LGIP). Cash equivalents are short term, highly liquid investments convertible to known amounts of cash without change in value or risk of loss. The College records all cash, cash equivalents, and investments at 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 College. The internal investment pool is comprised of cash, cash equivalents and investments and securities as authorized by RCW 39.60.50.

Receivables
Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. This also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements. Accounts receivable are shown net of estimated uncollectible receivables.

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

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at 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.

In accordance with GASB Statement 42, the college reviews assets for impairment whenever events or changes in circumstances have indicated there is a reduction in the service utility of those assets. 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 include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. The College has recorded summer and fall quarter tuition and fees as unearned revenues.

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

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

INVISTA Performance Solutions (IPS), with the consent of its partners, has elected under the Internal Revenue Code to be an LLC, taxed as a partnership. The partners of an LLC are taxed on their proportionate share of the Company's taxable income.

Pension Liability

For purposes of measuring the net pension liability, in accordance with GASB68 *Accounting and Financial Reporting for Pensions*, 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 GASB73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB68 (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 for GASB73 reporting.

Other Postemployment Benefits Liability

In fiscal year 2018, the College implemented GASB75 *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 GASB68.

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 and total OPEB liability not included in pension and OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer transactions subsequent to the measurement date of the net pension/total OPEB liability are reported as deferred outflows of resources.

See Note 6 for additional information regarding deferred outflows and deferred inflows 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 Purposes.* These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties. The expendable balances for the College include institutional financial aid funds established for the

explicit purpose of providing institutional financial aid as prescribed by RCW 28B.15.820, as well as retainage for capital projects.

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

Classification of Revenues and Expenses

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

Operating Revenues. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts which includes Running Start revenue and various grants for funding student tuition and operations.

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

Non-operating Revenues. This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, Federal Pell grant revenue, state appropriations and investment income.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2018 are $6,894,606.

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 remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

2. Accounting and Reporting Changes

Reporting Changes

Effective for fiscal year 2018 reporting, the College adopted the following new standards issues by the Governmental Accounting Standards Board (GASB):

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The other postemployment benefits (OPEB) specific accounts impacting the College are detailed below. Net OPEB liability. Previous standards defined OPEB liabilities in terms of the annual required contribution. GASB 75 defines the net OPEB liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the plan's fiduciary net position. GASB 75 includes recognition of deferred inflows and outflows of resources associated with the difference between projected and actual earnings on OPEB plan investments. These differences are to be recognized in OPEB expense using a systematic and rational method over a closed five-year period. GASB 75 requirements are effective for fiscal years beginning after June 15, 2017.

Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB),* the College has a deficit unrestricted net position of $16,223,636. This new accounting standard requires the College 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.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged and the College is implementing this Statement commencing fiscal year 2018.

Restatement of Net Position

Beginning net position was restated by $32,964,011 in FY 2018 as a result of implementing GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).*

The following is a summary of the restatement for adoption of GASB 75, OPEB Liability.

Description	**June 30, 2017 (previously reported)**	**Cumulative Effect of GASB 75 Implementation**	**June 30, 2017 (as restated)**
Net investment in capital assets	$ 148,966,945		$148,966,945
Restricted for expendable purposes:			
Institutional financial aid	828,204		828,204
Unrestricted	14,412,584	(32,964,011)	(18,551,427)
Total net position	**$ 164,207,733**		**$ 131,243,722**

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.

3. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

The LGIP portfolio is invested in a manner that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification and liquidity for external investment pools that wish to measure all of its investments at amortized costs. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP, which approximates amortized cost. The LGIP measures its investments at amortized cost in accordance with guidance set forth by GASB, as amended by Statements No. 72 and No. 79, and the investments are limited to high quality obligations with limited and average maturities, which minimizes both credit and market risk.

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

As of June 30, 2018, the carrying amount of the College's change funds, petty cash, and bank demand deposit accounts with financial institutions was $27,037,370 as represented in the table below.

Cash and Cash Equivalents

	2018
Cash	$ 20,547,904
Cash equivalents	6,489,466
Cash and cash equivalents	**$ 27,037,370**

Restricted cash for internally held retainage and institutional financial aid are $2,907 and $1,236,061 respectively at June 30, 2018, totaling $1,238,968.

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

Investments

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

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

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

College Investments by Type

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

College Investments by Type

College investments	Fair value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Cash Equivalents					
Money Market Funds	$ 627,302	$ 627,302	$ -	$ -	$ -
Local Government Investment Pool	5,862,164	5,862,164	-	-	-
Total cash equivalents	**6,489,466**				
Short-term investments					
Agency Securities	1,793,299	1,793,299	-	-	-
Total short-term investments	**1,793,299**				
Long-term investments					
Agency Securities	1,477,516	-	1,477,516	-	-
Corporate Bonds	750,000	-	750,000	-	-
Mortgage Pools	9,062,632	-	-	545,866	8,516,766
CMO & Asset Backed Securities	3,016,086	-	110,529	941,212	1,964,345
Total long-term investments	**14,306,234**				
Total college investments	**$ 22,588,999**				

Interest Rate Risk—Investments

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

Concentration of Credit Risk—Investments

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

Custodial Credit Risk—Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2018, $16,726,835 of the College's operating fund investments, held by Charles Schwab as agent for the College are exposed to custodial credit risk as follows.

Investments Exposed to Custodial Credit Risk

Outside party	Fair value
Charles Schwab	16,726,835
Total investment exposed to custodial risk	**$ 16,726,835**

Investment Expenses

Under implementation of GASB 35, investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2018 were $62,769.

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 to sponsored agreements. Accounts receivable for the year ended June 30, 2018 were comprised of the following balances:

Accounts Receivable

Student tuition and fees	$ 615,113
Due from the federal government	242,263
Due from the office of the state treasurer	350,998
Due from other state agencies	352,057
Auxiliary enterprises	116,970
Due from other governments	3,660,468
Other	4,854
Subtotal accounts receivable	5,342,723
Less allowance for doubtful accounts	(51,522)
Accounts receivable, net	**$ 5,291,201**

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2018 is presented as follows:

	Beginning balance	Additions	Retirements and Changes	Ending balance
Capital assets, non-depreciable				
Land	$ 726,552	$ 0	$ 0	$ 726,552
Construction in progress	4,845	178,350	0	183,195
Total capital assets, non-depreciable	731,397	178,350	0	909,747
Capital assets, depreciable				
Buildings	202,627,267	0	0	202,627,267
Other improvements and infrastructure	2,960,257	0	0	2,960,257
Equipment	5,876,805	660,838	(18,781)	6,518,862
Library resources	837,808	114,275	0	952,083
Total capital assets, depreciable	212,302,137	775,113	(18,781)	213,058,469
Less accumulated depreciation				
Buildings	53,128,756	4,281,126	6	57,409,888
Other improvements and infrastructure	1,406,081	133,927	0	1,540,008
Equipment	4,164,777	548,028	(18,773)	4,694,032
Library resources	371,975	119,520	1	491,496
Total accumulated depreciation	59,071,589	5,082,601	(18,766)	64,135,424
Total capital assets, depreciable, net	153,230,548	(4,307,488)	(15)	148,923,045
Capital assets, net	**$ 153,961,945**	**$ (4,129,138)**	**$ (15)**	**$ 149,832,792**

The current year depreciation expense was $5,082,601. The College has commitments of $2,278,704 for various capital improvement projects that include renovations and repairs of existing buildings

6. Deferred Outflows and Deferred Inflows Resources

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

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

Deferred outflows related to OPEB are recorded to reflect plan contributions made after the measurement date and reduce OPEB liability in the subsequent year.

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

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

Deferred inflows related to OPEB are related to the College's proportionate share of the changes in assumptions.

See Note 14 for additional information on deferred outflows and inflows related to pensions and Note 15 on deferred outflows and inflows related to OPEB.

7. Unearned Revenue

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

Unearned Revenue

Summer & Fall quarter tuition & fees	$2,068,114
Total unearned revenue	**$2,068,114**

8. Lease Obligations

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

Future commitments for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2018 were as follows:

Operating Leases

Year	Future Payments
2019	$70,497
2020	44,905
Total minimum lease payments	$115,402

In the current fiscal year, Pierce College incurred expenses of $70,497 for office copier contingent rentals on a cost-per-copy basis.

9. Compensated Absences

The accrued leave liability balance as of June 30, 2018 is $5,047,523. The components of this liability include vacation and sick leave earned and unused for exempt professionals, civil service employees and faculty on annual appointments. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an estimate of one-fourth the total balance on the payroll records.

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

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

Compensated Absences

Accrued annual leave	$2,170,772
Accrued sick leave	2,876,751
Total compensated absences	**$5,047,523**

10. Certificates of Participation Payable

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

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

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

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

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

11. Annual Debt Service Requirements

Future debt service requirements at June 30, 2018 are as follows

Fiscal year	Principal	Interest	Total
2019	$ 450,000	$ 228,250	$ 678,250
2020	470,000	205,750	675,750
2021	490,000	182,250	672,250
2022	520,000	157,750	677,750
2023	545,000	131,750	676,750
2024-2027	2,090,000	242,500	2,332,500
Total	**$ 4,565,000**	**$ 1,148,250**	**$ 5,713,250**

12. Schedule of Long Term Liabilities

	Balance outstanding 06/30/2017	Additions	Reductions	Balance outstanding 06/30/2018	Current Portion
Compensated Absences	$ 4,775,214	$ 1,977,154	$ 1,704,845	$ 5,047,523	-
Certificates of Participation	4,995,000	-	430,000	4,565,000	$ 450,000
Net Pension obligation	13,066,649	1,759,551	4,917,392	9,908,808	-
Total Pension obligation	3,676,064	1,209,967	1,443,589	3,442,442	63,052
OPEB obligation	33,469,485	3,040,668	5,534,545	30,975,608	3,040,668
Total	**$ 59,982,412**	**$ 7,987,340**	**$ 14,030,371**	**$ 53,939,381**	**$ 3,553,720**

13. Pension Liability

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

Pension Liability by Plan

PERS 1	$ 4,864,654
PERS 2/3	4,393,463
TRS 1	495,000
TRS 2/3	155,691
SBRP	3,442,442
Total	**$ 13,351,250**

14. Retirement Plans

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) plans are cost sharing multiple employer defined benefit pension plans administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan (SBRP) is a 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 FY 2018, the payroll for the College's employees is $13,878,154 for PERS, $1,250,071 for TRS, and $22,119,533 for SBRP. Total covered payroll is $37,247,758.

Basis of Accounting

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

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 Pierce College, for fiscal year 2018:

Aggregate Pension Amounts – All plans

Pension liabilities	$ 13,351,250
Deferred outflows of resources related to pensions	2,712,990
Deferred inflows of resources related to pensions	(3,108,525)
Pension expense	872,115

College Participation in Plans Administered by the Department of Retirement Systems

PERS

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

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

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

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

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

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

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

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

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

TRS

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

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

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

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

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

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

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

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

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

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

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

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

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2016, 2017, and 2018 are as follows

	FY 2016		FY 2017		FY 2018	
	Employee	**College**	**Employee**	**College**	**Employee**	**College**
PERS						
Plan 1	6.0%	11.18%	6.0%	11.18%	6.0%	12.70%
Plan 2	6.12%	11.18%	6.12%	11.18%	7.38%	12.70%
Plan 3	5.0-15.0%	11.18%	5.0-15.0%	11.18%	5.0-15.0%	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	5.0-15.0%	13.13%	5.0-15.0%	13.13%	5.0-15.0%	15.20%

The College's actual retirement contributions to the above plans for the fiscal years ended June 30, 2016, 2017, and 2018 were:

	FY 2016		FY 2017		FY 2018	
	Employee	**College**	**Employee**	**College**	**Employee**	**College**
PERS						
Plan 1	20,780	38,745	13,830	25,771	13,871	29,360
Plan 2	533,065	973,745	551,028	1,006,618	716,819	1,233,506
Plan 3	187,696	352,949	212,683	392,749	244,027	499,595
TRS						
Plan 1	-	-	-	-	-	-
Plan 2	7,629	16,770	8,871	19,576	11,467	24,733
Plan 3	47,325	92,420	49,428	96,624	79,454	162,743

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 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%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Actuarially determined pension expense	$ 303,652	$ 610,906	$ 31,825	$ 55,976	$ 1,002,359
Amortization of change in proportionate liability	(244,224)	53,981	(28,596)	17,592	(201,247)
Total Pension Expense	$ 59,428	$ 664,887	$ 3,229	$ 73,568	$ 801,112

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:

Year ended June 30	2016	2017
PERS Plan 1	0.107185%	0.102520%
PERS Plan 2/3	0.128664%	0.126448%
TRS Plan 1	0.017238%	0.016373%
TRS Plan 2/3	0.017743%	0.016869%

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 and Methods
The total pension liability for each of the plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of the DRS' Comprehensive Annual Financial Report (CAFR). The DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov. These assumptions reflect the results of OSA's 2007-2012 Experience Study and the 2015 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016 to June 30, 2017, reflecting each plan's normal cost (using the entry age cost method), assumed interest and actual benefit payments.

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

In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 % Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Changes in methods and assumptions since the last valuation include:

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 and TRS Plan 1 is valued for legal order payees was improved.
- The average expected remaining service lives calculation was revised. It is used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

Discount Rate

The discount rate used to measure the net pension liability was 7.50 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 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements.

Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (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 7.50 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.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS Plan 1	$ 5,926,078	$ 4,864,654	$ 3,945,233
PERS Plan 2/3	11,836,451	4,393,464	(1,704,960)
TRS Plan 1	615,521	495,000	390,680
TRS Plan 2/3	528,784	155,691	(147,330)

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

At June 30, 2018 the College reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

Washington State Public Employees Retirement System (PERS Plan 1)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	$ 181,535
Changes of Assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions to pension plans after measurement date	$ 719,914	-
Total outflows and inflows of resources	**$ 719,914**	**$ 181,535**

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 445,161	$ 144,493
Difference between expected and actual earnings of pension plan investments	-	1,171,192
Changes of Assumptions	46,667	-
Changes in College's proportionate share of pension liabilities	100,126	120,502
Contributions to pension plans after measurement date	1,022,460	-
Total outflows and inflows of resources	**$ 1,614,414**	**$ 1,436,187**

Washington State Teachers Retirement System (TRS Plan 1)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	$ 20,971
Changes of Assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions to pension plans after measurement date	$ 90,652	-
Total outflows and inflows of resources	**$ 90,652**	**$ 20,971**

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 38,824	$ 7,943
Difference between expected and actual earnings of pension plan investments	-	56,344
Changes of Assumptions	1,835	-
Changes in College's proportionate share of pension liabilities	62,314	13,293
Contributions to pension plans after measurement date	97,890	-
Total outflows and inflows of resources	**$ 200,863**	**$ 77,580**

The $1,930,916 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 of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
2019	(122,706)	(444,533)	(15,404)	(4,483)	(587,126)
2020	38,740	131,600	5,767	25,172	201,279
2021	(8,995)	(108,560)	(513)	11,554	(106,514)
2022	(88,574)	(484,003)	(10,821)	(16,520)	(599,918)
2023	-	26,636	-	2,015	28,651
Thereafter	-	34,626	-	7,655	42,281
	$ (181,535)	**$ (844,234)**	**$ (20,971)**	**$ 25,393**	**$ (1,021,347)**

College Participation in Plan Administered by the State Board for Community and Technical Colleges State Board Retirement Plan (SBRP) – Supplemental Defined Benefits Plan
Plan Description. The State Board Retirement Plan is a privately administered single-employer defined contribution plan with a supplemental defined benefit plan component, which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis.

Pierce College participates in this plan as authorized by chapter 28B.10 RCW and reports its proportionate share of the total pension liability. State Board makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements.

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

As of July 1, 2011, 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

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

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2018, supplemental benefits were paid by the SBCTC on behalf of the system as a total in the amount of $1,300,000. The College's share of this amount was $51,337. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2018, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $110,610. This amount was not used as a part of GASB 73 calculations and 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.

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 $1,923,814 and $1,924,949, respectively.

Actuarial Assumptions and Methods

The total pension liability was determined by an actuarial valuation as of June 30, 2016. Update procedures were used to roll forward the total pension liability 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%
- Investment rate of return 4.25 – 6.25%

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

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

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:

Pension Expense

Proportionate Share (%)	**3.948978%**
Service cost	$ 151,127
Interest	138,886
Amortization of differences between expected and actual experience	(182,996)
Amortization of changes of assumptions	(48,454)
Changes of benefit terms	-
Administrative expenses	-
Other changes in fiduciary net position	-
Proportionate Share of Collective Pension Expense	**58,563**
Amortization of the change in proportionate share of total pension liability	12,450
Total Pension Expense	**$ 71,013**

Proportionate Shares of Pension Liabilities

The College's proportionate share of pension liabilities for fiscal year ending June 30, 2018 was 3.948978%. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating College's. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Schedule of Changes in Proportionate Shares of Pension Liabilities

Proportionate Share (%) 2017	**3.867506%**
Proportionate Share (%) 2018	**3.948978%**
Total Pension Liability – Ending 2017	$ 3,676,064
Total Pension Liability – Beginning 2018	3,753,504
Total Pension Liability – Change in Proportion	77,440
Total Deferred Inflows/Outflows – 2017	**1,051,807**
Total Deferred Inflows/Outflows – 2018	**1,073,964**
Total Deferred Inflows/Outflows – Change in Proportion	**22,157**
Total Change in Proportion	**$ 99,597**

Plan Membership

Membership of the State Board Supplemental Retirement Plan (SBRP) consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Number of Participating Members
State Board Retirement Plan – Pierce College

Inactive Members (or Beneficiaries) Currently Receiving Benefits	7
Inactive Member Entitled to But Not Yet Receiving Benefits	0
Active Members	272
Total Members	**279**

Change in Total Pension Liability
The following table presents the College's proportionate share of the change in total pension liability of State Board Supplemental Retirement Plans at June 30, 2018, the latest measurement date for all plans:

Schedule of Changes in Total Pension Liability

Total Pension Liability	**Amount**
Service cost	$ 151,127
Interest	138,886
Changes of benefit terms	-
Differences between expected and actual experience	(410,773)
Changes in assumptions	(138,965)
Benefit payments	(51,337)
Change in proportionate share of total pension liability	77,440
Other	-
Net Change in Total Pension Liability	**(233,622)**
Total Pension Liability - Beginning	**3,676,064**
Total Pension Liability - Ending	**$ 3,442,442**

Sensitivity of the Total Pension Liability to Changes in the Discount Rate
The following table presents the College's total pension liability, calculated using the discount rate of 3.87 percent, as well as what the College's 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	**Current Discount Rate**	**1% Increase**
	(2.87%)	**(3.87%)**	**(4.87%)**
State Board Retirement Plan	$ 3,926,390	$ 3,442,443	$ 3,039,923

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
State Board Retirement Plan (SBRP)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	$ 1,096,671
Changes of Assumptions	-	295,581
Changes in College's proportionate share of pension liability	$ 87,147	
Contributions to pension plans after measurement date	-	-
Total outflows and inflows of resources	**$ 87,147**	**$ 1,392,252**

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

	State Board Retirement Plan
2019	(219,000)
2020	(219,000)
2021	(219,000)
2022	(219,000)
2023	(219,000)
Thereafter	(210,104)
	$ (1,305,105)

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). Refer to Note 18.B for PERS Plan descriptions.

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 18.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.

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.

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.

Contributions

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 costs based on subscribers; includes non-Medicare risk pool only. Figures based on FY 2017 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

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.

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	3.00%
• Projected Salary Changes	3.75% Plus Service-Based Salary Increases
• Health Care Trend Rates* plan.	Trend rate assumptions vary slightly by medical Initial rate is approximately 7%, reaching an ultimate rate of approximately 5% in 2080
• Post-Retirement Participation Percentage	65%
• Percentage with Spouse Coverage	45%

*For additional detail on the health care trend rates, please see Office of the State Actuary's 2017 OPEB Actuarial Valuation Report.

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: 01/01/2017
- Actuarial Measurement Date: 06/30/2017
- Actuarial Cost Method: Entry Age
- Amortization Method: The recognition period for the experience and assumption 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

OPEB Expense

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

OPEB Expense

Proportionate Share (%)	**0.5316950210%**
Service cost	$ 2,099,957
Interest	983,633
Amortization of differences between expected and actual experience	-
Amortization of changes of assumptions	(533,131)
Changes of benefit terms	-
Amortization of changes in proportion	(30,424)
Administrative Expenses	-
Total OPEB Expense	**$ 2,520,035**

Proportionate Shares of OPEB Liabilities

The College's proportionate share of the total OPEB liabilities for fiscal year ending June 30, 2018 was 0.5316950210%. The College's change in proportionate share of the total OPEB liability and deferred inflows and deferred outflows of resources are represented in the following table:

Schedule of Changes in Proportionate Shares of OPEB Liabilities

Proportionate Share (%) 2016	**0.5361485281%**
Proportionate Share (%) 2017	**0.5316950210%**
Total OPEB Liability – Ending 2016	$ 33,469,485
Total OPEB Liability – Beginning 2017	33,191,471
Total OPEB Liability – Change in Proportion	(278,014)
Total Deferred Inflows/Outflows – 2016	505,474
Total Deferred Inflows/Outflows – 2017	501,275
Total Deferred Inflows/Outflows – Change in Proportion	(4,199)
Total Change in Proportion	**$ (273,815)**

Plan Participants

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.

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 $30,975,608. This liability was determined based on a measurement date of June 30, 2017.

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:

Change in Total OPEB Liability

Total Pension Liability	**Amount**
Service cost	$ 2,099,957
Interest	983,633
Differences between expected and actual experience	-
Changes in assumptions*	(4,798,178)
Changes in Benefit Terms	-
Benefit payments	(501,275)
Changes in proportionate share	(278,014)
Other	-
Net Change in Total OPEB Liability	**(2,493,877)**
Total OPEB Liability - Beginning	**33,469,485**
Total OPEB Liability - Ending	**$ 30,975,608**

*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 OPEB 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:

	1% Decrease	**Current Discount Rate**	**1% Increase**
	(2.58%)	**(3.58%)**	**(4.58%)**
OPEB Discount Rate Sensitivity	$ 37,794,066	$ 30,975,608	$ 25,699,216

Sensitivity of the 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:

	6% decreasing to 4%	Current Health Care Cost Trend Rate	8% decreasing to 6%
OPEB Health Care Cost Trend Rate Sensitivity	$ 25,024,029	$ 30,975,608	$ 38,963,159

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2018 the College reported deferred outflows of resources and deferred inflows of resources to OPEB as follows:

Proportionate Share (%)		**0.5316950210%**
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	-	-
Changes of Assumptions	-	$ 4,265,047
Transactions subsequent to the measurement date	$ 490,209	
Changes in proportion	-	243,391
Total outflows and inflows of resources	**$ 490,209**	**$ 4,508,438**

Amounts reported as deferred outflows or resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2019.

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

Other Post-Employment Benefits

2019	(563,555)
2020	(563,555)
2021	(563,555)
2022	(563,555)
2023	(563,555)
Thereafter	(1,690,663)
	(4,508,438)

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 College included $279,279 and $919,725 for compensated absences and pension/OPEB expense with institutional support for the purpose of this table. The following table lists operating expenses by program for the year ending June 30, 2018.

Operating Expenses by Program
Expenses by Functional Classification

Instruction	$ 30,058,994
Academic support services	8,450,400
Student services	11,477,188
Institutional support	12,782,467
Operations and maintenance of plant	6,758,449
Scholarships and other student financial aid	13,866,521
Auxiliary enterprises	2,897,921
Depreciation	5,082,601
Total operating expenses	$ 91,374,541

17. Joint Venture

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

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

IPS is a six member governing body, which includes three voting members. The College appoints two members, to which one is a voting member. The College does not have access to IPS assets, nor is it obligated for its debts, but the College does have an ongoing financial interest in IPS in that it has rights to revenues in excess of Pierce College's allocated percentage of IPS's net revenue fund the reserve fund. For the fiscal year ended June 30, 2018, the change in members' equity is $156,848. Total members' equity for the year ended June 30, 2018 is $1,852,571. Pierce College is the fiscal agent responsible for the general administration of IPS and accounts for all its financial activity.

During the fiscal year ended June 30, 2018, IPS did not distribute and funds to the College.

A copy of IPS's complete financial statements may be obtained from the IPS's Administrative Offices at 4500 Steilacoom Blvd SW. Bldg. 19, Lakewood, WA 98499.

In November 2018, the governing body of *INVISTA Performance Solutions (IPS)* voted to distribute the prior year's change in members' equity equally amongst the members.

18. 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 accounts a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2017 through June 30, 2018, were $168,037. Cash reserves for unemployment compensation for all employees at June 30, 2018, were $718,429.

19. Commitments and Contingencies

Capital Commitments

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

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

Authorized expenditures for capital commitments unexpended as of June 30, 2018 were $3,510,426. Of these, $1,776,923 were authorized emergency repair funds for a sanitary sewer pump station. The total anticipated cost of the replacement of this station is estimated at $1,900,000. Funding may come from both local funds and future capital appropriations. Additional projects of note include the Pierce College Fort Steilacoom Rainier Fire Pump Project and the Pierce College Fort Steilacoom Health Education Center Storage Addition with remaining commitments of $139,900 and $361,881 respectively.

Contingencies

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

The various state and federal programs administered by the College for fiscal year 2018 and prior years are subject to examination by the state and federal grantor agencies. At the present time, amounts, if any, which may be due to state or federal grantors have not been determined but the College believes that any such amounts in the aggregate would not have a material adverse effect on the financial position of the College. Therefore, an estimated loss has not been recorded.

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Pierce College's Proportionate Share of the Net Pension Liability

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

	2015	2016	2017	2018
Measurement date	June 30, 2014	June 30, 2015	June 30,2016	June 30,2017
College's proportion of the net pension liability	0.108664%	0.105141%	0.107185%	0.102520%
College's proportionate share of the net pension liability	$5,474,000	$5,499,852	$ 5,756,305	$ 4,864,654
College employers' covered-employee payroll	$ 449,142	$ 392,830	$ 346,659	$ 230,507
College's employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	1393.48%	1586.53%	1660.51%	2110.42%
Plan's fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%	61.24%

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

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Pierce College's Proportionate Share of the Net Pension Liability

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

	2015	2016	2017	2018
Measurement date	June 30, 2014	June 30, 2015	June 30,2016	June 30,2017
College's proportion of the net pension liability	0.128456%	0.125517%	0.128664%	0.126448%
College's proportionate share of the net pension liability	$ 2,596,560	$ 4,484,795	$ 6,478,141	$ 4,393,464
College employers' covered-employee payroll	$ 11,012,149	$ 11,333,757	$ 11,875,974	$ 12,519,584
College's employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	22.91%	21.86%	54.55%	35.09%
Plan's fiduciary net position as a percentage of the total pension liability	93.29%	89.20%	85.82%	90.97%

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

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Pierce College's Proportionate Share of the Net Pension Liability

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

	2015	**2016**	**2017**	**2018**
Measurement date	June 30, 2014	June 30, 2015	June 30,2016	June 30,2017
College's proportion of the net pension liability	0.009872%	0.009304%	0.017238%	0.016373%
College's proportionate share of the net pension liability	$ 291,170	$ 294,764	$ 588,545	$ 495,000
College employers' covered-employee payroll	$ 9,233	$ 9,210	$ 1,313	-
College's employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	3161.45%	22449.66%	44824.45%	**
Plan's fiduciary net position as a percentage of the total pension liability	68.77%	65.70%	62.07%	65.60%

* As of June 30; this schedule is to be built prospectively until it contains ten years of data.
** No College employer's covered-employee payroll therefore this number cannot be calculated.

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Pierce College's Proportionate Share of the Net Pension Liability

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

	2015	**2016**	**2017**	**2018**
Measurement date	June 30, 2014	June 30, 2015	June 30,2016	June 30,2017
College's proportion of the net pension liability	0.010150%	0.009179%	0.017743%	0.016869%
College's proportionate share of the net pension liability	$ 32,784	$ 77,452	$ 246,658	$ 155,691
College employers' covered-employee payroll	$ 391,275	$ 563,986	$ 853,917	$ 885,301
College's employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	5.81%	9.07%	28.53%	17.59%
Plan's fiduciary net position as a percentage of the total pension liability	96.81%	92.48%	88.72%	93.10%

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

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions
Public Employee's Retirement System (PERS) Plan 1
Fiscal Year Ended June 30*

Fiscal year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2014	$ 41,366	$ 41,208	$ 158	$ 449,142	9.17%
2015	36,180	35,452	728	392,830	9.02%
2016	38,756	38,745	11	346,659	11.18%
2017	25,771	25,771	-	230,507	11.18%
2018	29,360	29,360	-	231,182	12.70%
2019					
2020					
2021					
2022					
2023					

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

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions
Public Employee's Retirement System (PERS) Plan 2/3
Fiscal Year Ended June 30*

Fiscal year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2014	$ 1,014,219	$ 1,013,460	$ 759	$ 11,012,149	9.20%
2015	1,043,286	1,043,286	-	11,333,757	9.21%
2016	1,327,734	1,326,694	1,040	11,875,974	11.17%
2017	1,399,689	1,399,367	323	12,519,584	11.18%
2018	1,733,165	1,733,102	64	13,646,972	12.70%
2019					
2020					
2021					
2022					
2023					

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

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

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

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

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

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

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

Fiscal year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2014	$ 40,653	$ 39,391	$ 1,262	$ 391,275	10.07%
2015	58,598	58,248	350	563,986	10.33%
2016	112,119	109,190	2,929	853,917	12.79%
2017	116,200	116,240	40	885,301	13.13%
2018	190,011	187,476	2,535	1,250,071	15.00%
2019					
2020					
2021					
2022					
2023					

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

Required Supplementary Information

PENSION PLAN INFORMATION

State Board Supplemental Defined Benefit Plans

Schedules of Changes in the Total Pension Liability and Related Ratios

Schedule of Changes in Total Pension Liability and Related Ratios
Pierce College
Fiscal Year Ended and Measurement Date June 30*

	2017	2018
Total Pension Liability		
Service Cost	$ 209,503	$ 151,127
Interest	135,904	138,886
Changes of benefit terms	-	-
Differences between expected and actual experience	(979,871)	(410,773)
Changes in assumptions	(231,277)	(138,965)
Benefit Payments	(34,885)	(51,337)
Change in proportionate share of total pension liability	-	77,440
Other	-	-
Net Change in Total Pension Liability	**(900,626)**	**(233,622)**
Total Pension Liability - Beginning	**4,576,690**	**3,676,064**
Total Pension Liability - Ending	**$ 3,676,064**	**$ 3,442,442**
College's Proportion of the Pension Liability	**3.867506%**	**3.948978%**
Covered-employee payroll	**$ 21,397,011**	**$ 23,391,230**
Total Pension Liability as a percentage of covered employee payroll	**17.180269%**	**14.716807%**

* As of June 30; this schedule is to be built prospectively until it contains ten 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 POST EMPLOYMENT BENEFITS INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios
Pierce College
Fiscal Year Ended and Measurement Date June 30*

	2018
Total OPEB Liability	
Service Cost	$ 2,099,957
Interest	983,633
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(4,798,178)
Benefit Payments	(501,275)
Change in proportionate share	(278,014)
Net Change in Total OPEB Liability	**(2,493,877)**
Total OPEB Liability - Beginning	**33,469,485**
Total OPEB Liability - Ending	**$ 30,975,608**
College's Proportion of the Total OPEB Liability	**0.531695%**
Covered-employee payroll	**$ 37,726,198**
Total OPEB Liability as a percentage of covered employee payroll	**82.106360%**

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

Other Post Employment Benefits
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.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov