Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Clover Park Technical College

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

Published February 3, 2020

Report No. 1025557

Office of the Washington State Auditor
Pat McCarthy

February 3, 2020

Board of Trustees
Clover Park Technical College
Lakewood, Washington

Report on Financial Statements

Please find attached our report on the Clover Park Technical 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

TABLE OF CONTENTS

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*

Clover Park Technical College
July 1, 2017 through June 30, 2018

Board of Trustees
Clover Park Technical 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 Clover Park Technical 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 January 27, 2020. As discussed in Note 1 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 Clover Park Technical College Foundation (the Foundation), as described in our report on the College’s financial statements. This report includes our consideration of the results of the other auditor’s testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

The financial statements of the Clover Park Technical 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

January 27, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Clover Park Technical College
July 1, 2017 through June 30, 2018

Board of Trustees
Clover Park Technical 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 Clover Park Technical 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 Clover Park Technical College Foundation (the Foundation), which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

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

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Clover Park Technical 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 1 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 Clover Park Technical 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 January 27, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

January 27, 2020

FINANCIAL SECTION

Clover Park Technical College
July 1, 2017 through June 30, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

College Statement of Net Position – 2018
College Statement of Revenues, Expenses and Changes in Net Position – 2018
College Statement of Cash Flows – 2018
Foundation Statement of Financial Position – 2017
Foundation Statement of Activities – 2017
Notes to the Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Clover Park Technical College's Share of the Net Pension Liability – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2018
Schedules of Contributions – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2018
Schedule of Changes in the Total Pension Liability and Related Ratios – State Board Supplemental Defined Benefit Plans – Notes to Required Supplementary Information – 2018
Schedule of Changes in the Total OPEB Liability and Related Ratios – Other Postemployment Benefits Information – Notes to Required Supplementary Information – 2018

Management’s Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of Clover Park Technical College (the College) for the fiscal year ended June 30, 2018 (FY 2018). This overview provides readers with an objective and easily readable analysis of the College’s financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College’s financial statements and accompanying note disclosures.

Reporting Entity

Clover Park Technical College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 6,700 students. The College confers a baccalaureate degree, associates degrees, certificates and high school diplomas. The College was established in 1991 and its primary purpose is to transform lives, enrich communities and enhance futures by creating an environment of innovation, equity, and excellence through education.

The College’s main campus is located in Lakewood, Washington, a community of about 60,000 residents. The College has a branch campus in Puyallup, Washington. The College is governed by a five member Board of Trustees appointed by the Governor of the State with the consent of the State Senate. In accordance with Washington State law governing technical colleges, the College’s board includes one member from business and one member from labor. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit, the Clover Park Technical College Foundation. The College’s financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2018. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash Flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the College’s financial health.

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

During 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB).* This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one year lag measurement date similar to GASB Statement No. 68. The change in accounting principle resulted in an adjustment to beginning net position in the amount of $17,808,730.

Statement of Net Position

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

Condensed Statement of Net Position As of June 30th	**FY 2018**	**FY 2017**
Assets		
Current Assets	$ 61,495,729	$ 28,561,996
Other assets (INVISTA)	617,524	565,242
Capital Assets, net	95,510,060	91,029,437
Total Assets	**157,623,313**	**120,156,675**
Deferred Outflows	**1,481,061**	**1,703,066**
Liabilities		
Current Liabilities	10,645,793	8,004,271
Other Liabilities, non-current	57,889,534	16,249,925
Total Liabilities	**68,535,327**	**24,254,196**
Deferred Inflows	**5,209,805**	**729,937**
Net Position	**$ 85,359,242**	**$ 96,875,608**

Current assets consist primarily of cash, various accounts receivables and inventories. The increase in current assets is due mainly to an increase of $32,517,348 in accounts receivable and $461,478 in cash. The increase in accounts receivable is due to the receivable from the State related to the new certificate of participation debt issuance of $31,135,000.

Net capital assets increased by $4,480,623 mostly due to $7,146,654 expended in construction in progress for the Center for Advanced Manufacturing Technologies (CAMT) building and construction of a warehouse. This increase was offset by depreciation expense of $3,129,384.

Deferred outflows of resources and deferred inflows of resources represent pension-related deferrals associated with the implementation of GASB 68 in FY 2015, GASB 73 in FY 2017 and GASB 75 in FY 2018. The decrease in deferred outflows reflects the College's proportionate share of a decrease in the state-wide amounts reported by the Department of Retirement Systems (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to actuarial assumptions. The College recorded $1,703,066 in FY 2017 and $1,481,061 in FY 2018 of pension-related deferred outflows.

Similarly, the increase in deferred inflows in FY 2018 reflects the increase in the difference between actual and projected investment earnings on the state's pension plans and also the implementation of GASB 75.

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 net increase in current liabilities from FY 2017 to FY 2018 is mostly due to the implementation of GASB 75, which resulted in recording $1,534,240 as the current portion of the Total OPEB liability. There was also an increase of $775,000 in the current portion of Certificates of Participation as a result of the new COP.

Non-current liabilities primarily consist of the long-term portion of vacation and sick leave earned but not yet used by employees, the long-term portion Certificates of Participation debt, and the net pension liability. The College's significant increase in non-current liabilities is a result of a new Certificate of Participation to fund the CAMT Building, and the result of implementation of GASB 75, reflecting the College's proportionate share of the postemployment benefit liability for the State's OPEB.

Net position represents the College's assets plus deferred outflows, less liabilities and deferred inflows, and measures whether the financial condition has improved or worsened during the year. The College is required by accounting standards to report its net position in three categories:

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

Restricted, Expendable **–** resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary expendable funds for the College are the 3½ percent fund collected from student tuition strictly for the purpose of providing supplemental financial student aid.

Unrestricted **–** Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. For instance, the Board of Trustees has required that at least 90 days of operating expenses be maintained in the event of business interruption.

As stated earlier in this section, the College's net position was adjusted by $17,808,730 due to the implementation of GASB 75.

Condensed Net Position As of June 30th	**FY 2018**	**FY 2017**
Net investment in capital assets	$ 84,951,786	$ 83,959,437
Restricted		
Expendable	699,198	613,321
Unrestricted	(291,742)	12,302,850
Net Position	**$ 85,359,242**	**$ 96,875,608**

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 $291,742. 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 16.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position accounts for the College's changes in total net position during FY 2018. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains, and losses of the College.

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

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

A condensed comparison of the College's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2018 and 2017 is presented below:

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

	2018	2017
Operating Revenues		
Student tuition and fees, net	7,870,145	7,914,466
Auxiliary enterprise sales	957,561	1,607,063
State and local grants and contracts	5,261,403	5,505,274
Federal grants and contracts	1,504,774	1,238,467
Other operating revenues	1,321,252	1,567,058
Total operating revenues	**16,915,136**	**17,832,328**
Operating Expenses		
Salaries and wages	19,592,197	20,550,499
Benefits	7,378,348	7,478,445
Scholarships, net of discounts	5,155,114	4,867,863
Depreciation	3,129,384	2,942,846
Other operating expenses	7,089,784	10,776,881
Total operating expenses	**42,344,829**	**46,616,534**
Operating Income (Loss)	**(25,429,693)**	**(28,784,206)**
Non-Operating Revenues (Expenses)		
State appropriations	20,710,253	20,497,255
Federal Pell grant revenue	5,768,677	5,874,040
Investment income, gains and losses	353,438	117,496
Other non-operating revenues (expenses)	2,876,122	(1,710,531)
Net non-operating revenues (expenses)	**29,708,489**	**24,778,260**
Income or (loss) before capital contributions	**4,278,795**	**(4,005,946)**
Capital appropriations and contributions	**2,013,569**	6,425,406
Change in Net position	**6,292,364**	**2,419,460**
Net Position		
Net position, beginning of year	96,875,608	97,770,456
Cumulative effect of change in accounting principle	(17,808,730)	(2,621,634)
Prior period adjustment- correction of error		(692,674)
Net position, beginning of year, as restated	79,066,878	94,456,148
Net position, end of year	**85,359,242**	**96,875,608**

Revenues

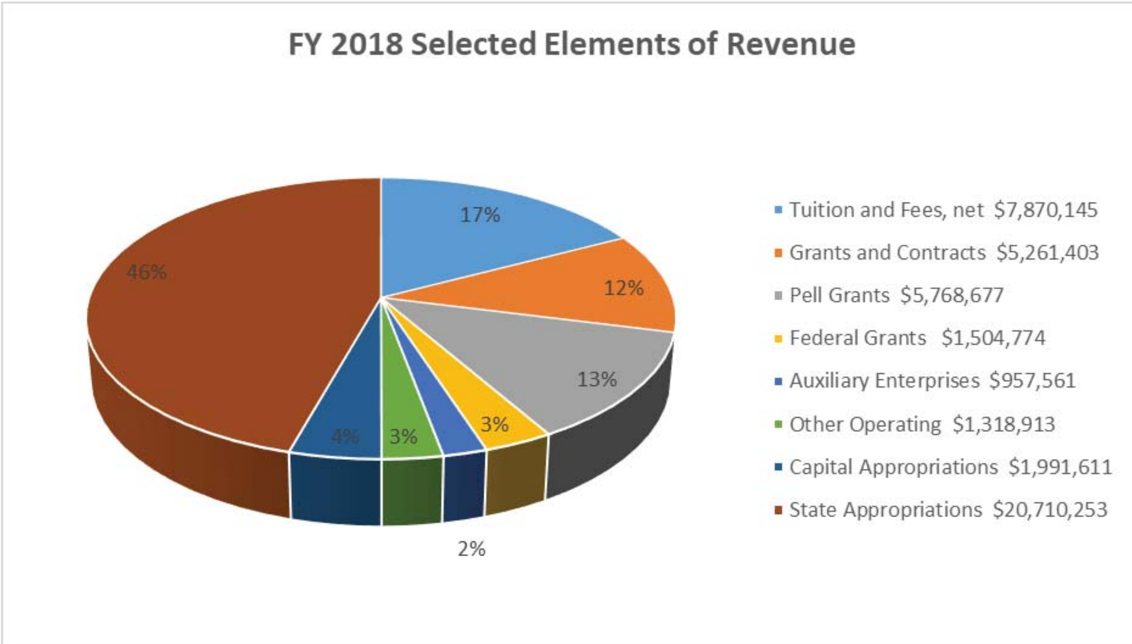
The State of Washington, through its legislative budget process, appropriates funds to the community college system as a whole and the State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC moved forward with a new allocation model, allocating funds to each of the 30 college's based on 3 year average FTE actuals. In FY 2018, the College saw an increase in its state allocation due to the implementation of the new model.

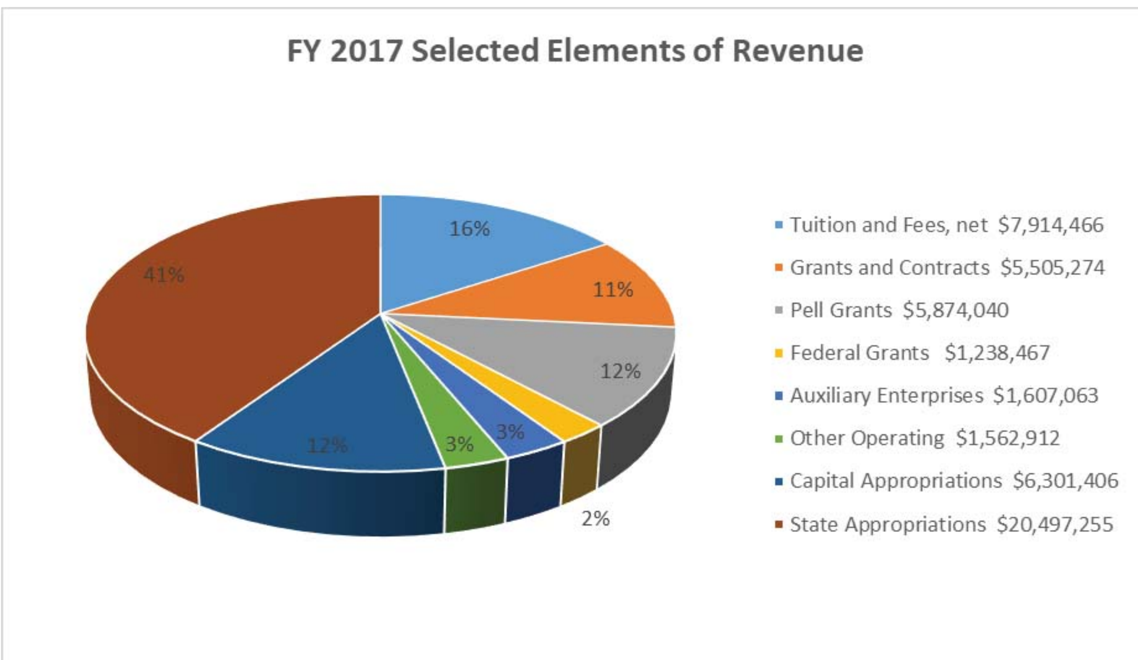
In FY16, the legislature enacted the Affordable Education Act, which reduced tuition rates at the College by 5%. The legislature did however backfill a portion of the loss in the operating allocation.

Pell grant revenues generally follow enrollment trends. As the College's enrollment dropped, so did the College's Pell Grant revenue. For FY 2018, the College attempted to keep other fees as stable as possible, resulting in only small changes in these revenues. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law.

In FY 2018, grant and contract revenues for federal and state decreased by $243,871 when compared with FY 2017. This decrease is due to a decrease in federal grants and contracts. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses.

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

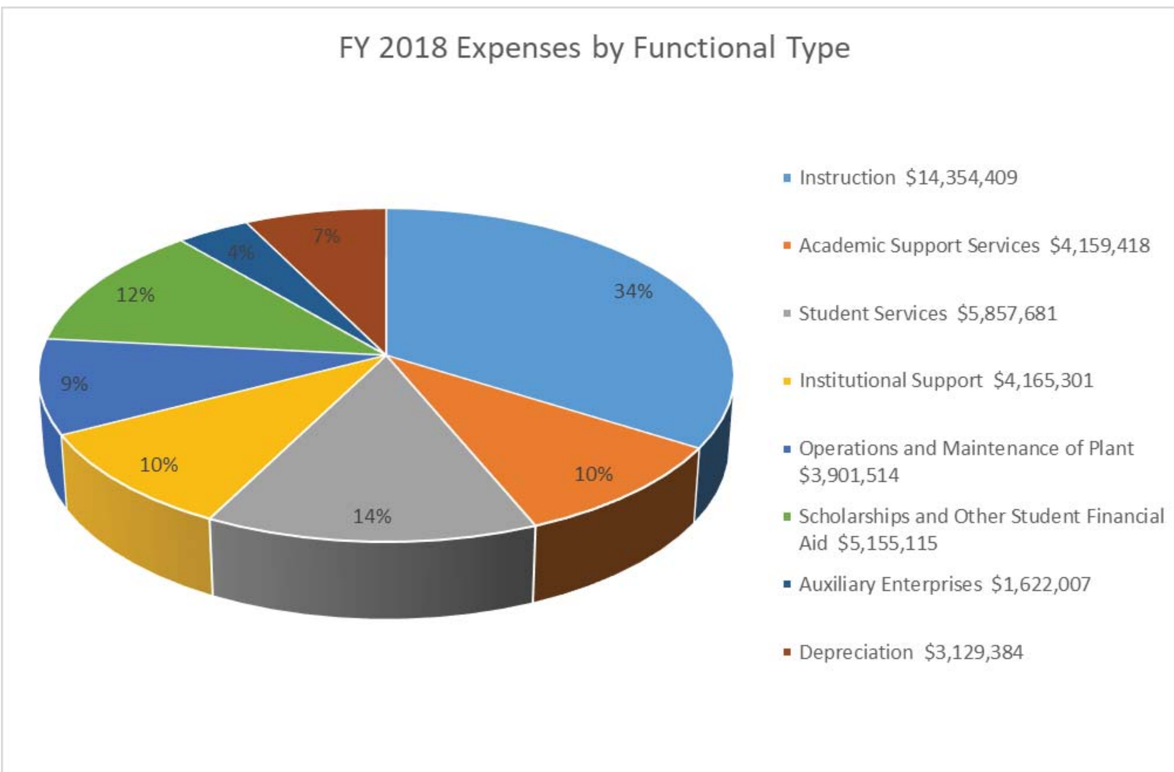

FY 2018 Selected Elements of Revenue
17%
46%
12%
13%
4%
3%
3%
2%
Tuition and Fees, net $7,870,145
Grants and Contracts $5,261,403
Pell Grants $5,768,677
Federal Grants $1,504,774
Auxiliary Enterprises $957,561
Other Operating $1,318,913
Capital Appropriations $1,991,611
State Appropriations $20,710,253


FY 2017 Selected Elements of Revenue
16%
41%
11%
12%
12%
3%
3%
2%
Tuition and Fees, net $7,914,466
Grants and Contracts $5,505,274
Pell Grants $5,874,040
Federal Grants $1,238,467
Auxiliary Enterprises $1,607,063
Other Operating $1,562,912
Capital Appropriations $6,301,406
State Appropriations $20,497,255

Expenses
Faced with severe budget cuts over the past eight years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions. In FY 2018, the decrease in salary costs by $958,302 and benefit costs by $100,096 was a result of cutting back 25 positions.

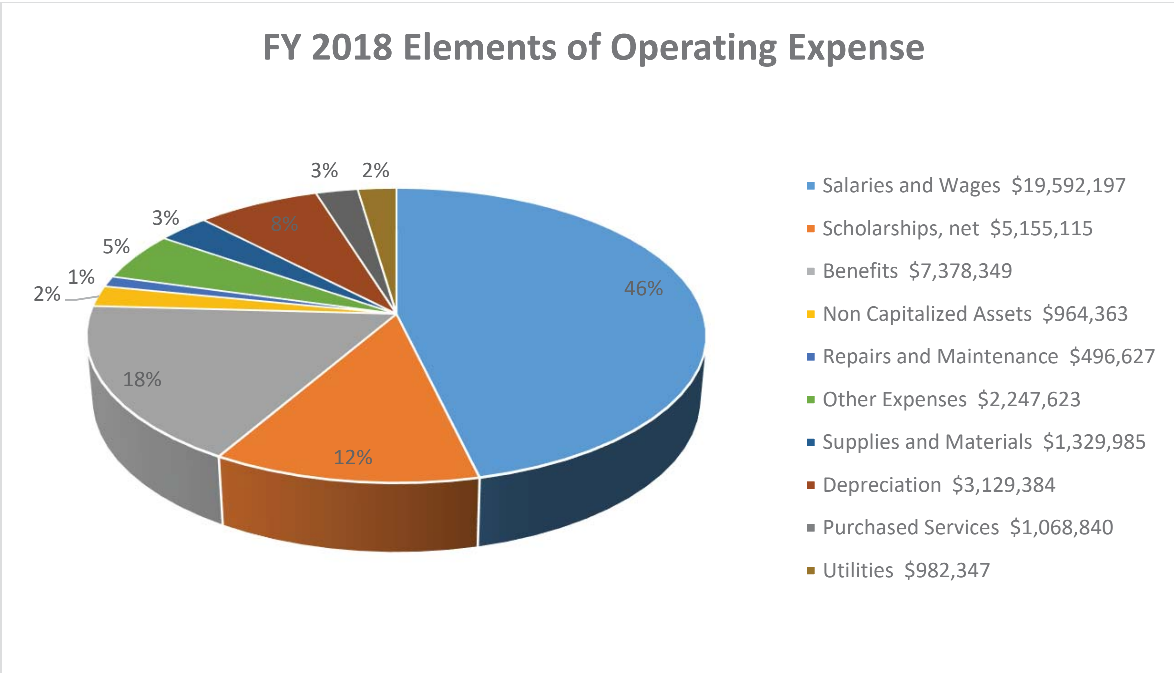
Scholarships and fellowships were $287,252 higher in FY 2018 due to the change in the components that make up the scholarship allowance. Supplies and materials were $407,188 lower in FY 2018, primarily as a result of budget cuts and CPTC no longer running the bookstore. Current year depreciation was $186,538 higher than the prior year. Repairs and maintenance decreased by $3,450,235 as a result of this being the first year of the biennium and the capital budget not being approved by the legislature until mid-year. Because of this, total operating expenses decreased overall by $4,271,705 (9.16%).

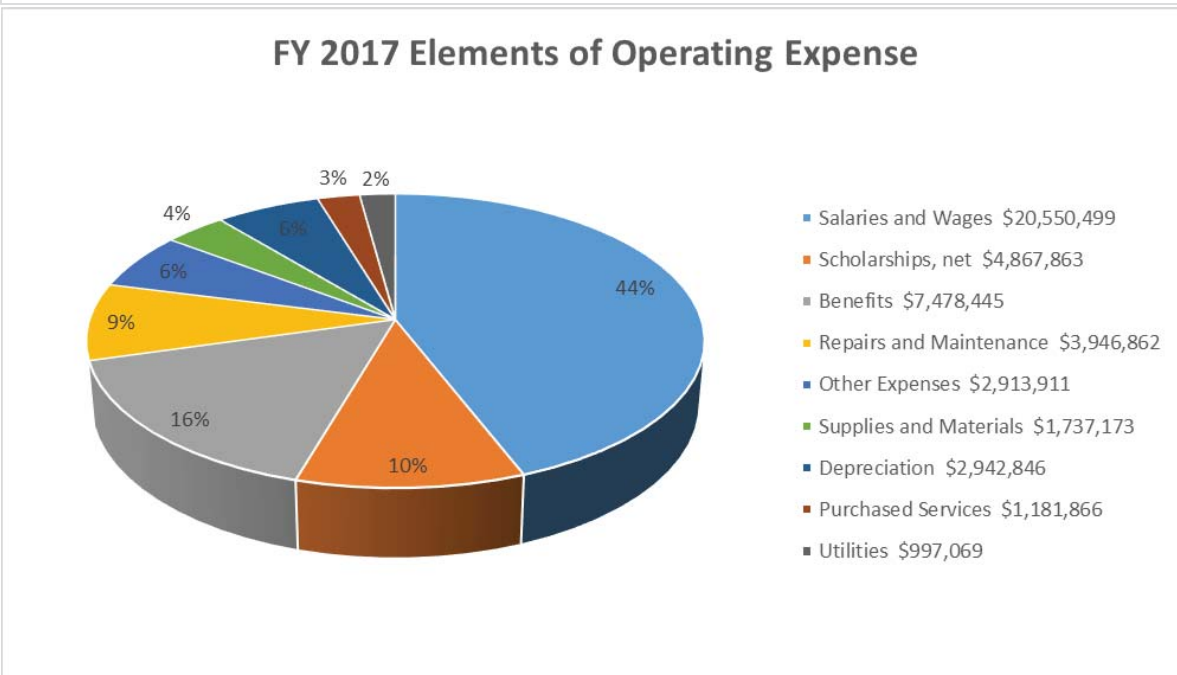
<u>Operating Expenses by Function</u>
The chart below shows the percentage of each functional area of operating expenses for FY 2018:



Comparison of Selected Operating Expenses by Function

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





Capital Assets

At June 30, 2018, the College had invested $95,510,060 in capital assets, net of accumulated depreciation. This represents an increase of $4,480,623 from last year, as shown in the table below:

Asset Type As of June 30th	FY 2018	FY 2017	Change
Land	$ 12,833,914	$ 12,833,914	$ -
Construction in Progress	8,362,770	1,216,116	7,146,654
Buildings, net	69,754,621	71,830,804	(2,076,183)
Other Improvements and Infrastructure, net	628,000	652,813	(24,813)
Equipment, net	3,882,290	4,436,451	(554,161)
Library Resources, net	48,465	59,339	(10,874)
Total Capital Assets, Net	**$ 95,510,060**	**$ 91,029,437**	**$ 4,480,623**

The increase in net capital assets can be attributed to the construction in progress of the CAMT. Additional information on capital assets can be found in Note 5 of the Notes to the Financial Statements.

Long-term Debt

At June 30, 2018, the College had $37,565,000 in outstanding debt, made up of Certificates of Participation (COP). The Certificates of Participation were for the McGavick Center and CAMT building. The College has no capital leases. Additional information regarding notes payable, long term debt, and debt service schedules can be found in Notes 11, 12, and 13 of the Notes to the Financial Statements.

Debt As of June 30th	FY 2018	FY 2017	Change
Certificates of Participation	$ 37,565,000	$ 7,070,000	$ 30,495,000
Total Debt	**$ 37,565,000**	**$ 7,070,000**	**$ 30,495,000**

Economic Factors That May Affect the Future

Reversing a trend that began in FY 2009, the College's state operating appropriations increased slightly in FY 2018, due primarily to the new allocation model as well as the backfilling of a portion of the salary cost of living adjustment approved by the legislature in FY 2017.

Beginning in FY 2016, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. While this reduced the amount of tuition collected by the College, the Legislature did partially backfill this loss within the allocation. In FY 2017, the State Board for Community and Technical Colleges elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state.

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

Clover Park Technical College
Statement of Net Position
As of June 30, 2018

Assets	
Current assets	
Cash and cash equivalents	$ 24,504,395
Restricted cash	72,862
Accounts receivable, net	36,838,863
Inventories	79,609
Total current assets	61,495,729
Non-Current Assets	
Other (INVISTA)	617,524
Non depreciable capital assets	21,196,684
Capital assets, net of depreciation	74,313,376
Total non-current assets	96,127,584
Total Assets	**157,623,313**
Deferred Outflows of Resources - Related to Pensions	
Deferred outflows of resources related to pensions	1,233,715
Deferred outflows of resources related to OPEB	247,346
Total Deferred Outflows of Resources	1,481,061
Liabilities	
Current Liabilities	
Accounts payable	2,704,680
Accrued liabilities	1,517,711
Compensated absences, short term	960,490
Deposits payable	72,862
Unearned revenue	2,408,297
Certificates of participation payable, current portion	1,415,000
Pension liability, short-term	32,513
Total OPEB liability, short-term	1,534,240
Total current liabilities	10,645,793
Noncurrent Liabilities	
Compensated absences	832,296
Certificates of participation payable, long-term portion	36,150,000
Net pension liability	5,069,449
Total pension liability	1,742,568
Total OPEB liability	14,095,221
Total non-current liabilities	57,889,534
Total Liabilities	**68,535,327**
Deferred Inflow of Resources - Related to Pensions	
Deferred inflows of resources related to pensions	1,889,657
Deferred inflows of resources related to OPEB	3,320,148
Total Deferred Inflows of Resources	5,209,805
Net Position	
Net investment in capital Assets	84,951,786
Restricted for:	
Expendable - Institutional financial aid	699,198
Unrestricted (deficit)	(291,742)
Total Net Position	**$ 85,359,242**

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

Clover Park Technical College

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2018

Operating Revenues	
Student tuition and fees, net	$ 7,870,145
Auxiliary enterprise sales	957,561
State and local grants and contracts	5,261,403
Federal grants and contracts	1,504,774
Other operating revenues	1,318,913
Interest on past due receivables	2,340
Total Operating Revenue	16,915,136
Operating Expenses	
Salaries and wages	19,592,197
Benefits	7,378,349
Scholarships and fellowships	5,155,115
Supplies and materials	1,329,985
Depreciation	3,129,384
Purchased services	1,068,840
Utilities	982,347
Non capitalized assets	964,362
Repairs and maintenance	496,627
Other operating expense	2,247,623
Total Operating Expenses	42,344,829
Operating Income (Loss)	(25,429,693)
Non-Operating Revenues (Expenses)	
State appropriations	20,710,253
Federal Pell grant revenue	5,768,677
Other non-operating revenue	4,852,077
Interest income	353,437
Loss on disposal of assets	(11,760)
Building fee remittance	(1,011,473)
Innovation fund remittance	(271,061)
Interest on indebtedness	(517,319)
Other non-operating expense	(164,343)
Net Non-Operating Revenues (Expenses)	**29,708,488**
Income or (loss) before capital revenues	4,278,795
Capital Revenues	
Capital appropriations	1,991,611
Equipment donation - Foundation	21,958
Total Capital Revenues	2,013,569
Increase (Decrease) in Net Position	6,292,364
Net Position	
Net position, beginning of year	96,875,608
Change in accounting principal as a result of GASB 75	(17,808,730)
Adjusted net position, beginning of year	79,066,878
Net position, end of year	$ 85,359,242

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

Clover Park Technical College
Statement of Cash Flows
For the year ended June 30, 2018

Cash flow from operating activities	
Student tuition and fees	$ 7,608,445
Grants and contracts	7,281,817
Payments to vendors	(6,723,021)
Payments for utilities	(930,962)
Payments to employees	(19,641,616)
Payments for benefits	(7,055,810)
Auxiliary enterprise sales	1,005,318
Payments for scholarships and fellowships	(5,155,115)
Other receipts (payments)	1,182,495
Net cash used by operating activities	(22,428,449)
Cash flow from noncapital financing activities	
State appropriations	20,710,253
Pell grants	5,768,677
Building fee remittance	(1,011,473)
Innovation fund remittance	(271,061)
Other nonoperating net	1,225,855
Net cash provided by noncapital financing activities	26,422,251
Cash flow from capital and related financing activities	
Capital appropriations	3,861,507
Purchases of capital assets	(6,704,633)
Principal paid on debt	(640,000)
Interest paid	(353,500)
Net cash used by capital and related financing activities	(3,836,626)
Cash flow from investing activities	
Interest income	259,541
Net cash provided by investing activities	259,541
Increase (decrease) in cash and cash equivalents	416,717
Cash and cash equivalents at the beginning of the year	24,160,540
Cash and cash equivalents at the end of the year	$ 24,577,257

(Continued on next page)

Clover Park Technical College
Statement of Cash Flows
For the year ended June 30, 2018

Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	$ (25,429,693)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	3,129,384
Changes in assets and liabilities	
Receivables , net	303,531
Inventories	332
Other assets	(52,282)
Accounts payable	(815,254)
Accrued liabilities	125,195
Unearned revenue	(43,549)
Compensated absences	43,620
Pension and OPEB liability adjustment expense	355,028
Deposits payable	(44,761)
Net cash used by operating activities	$ (22,428,449)
Non Cash Transactions	
Non capital donations - Foundation	$ 21,958

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

Clover Park Technical College Foundation

Statement of Financial Position

December 31, 2017

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 421,358
Accounts receivable	996
Current portion of pledges receivables	600
Inventory held for sale	1,385
Prepaid expenses	566
Total Current Assets	424,905
OTHER ASSETS	
Pledges receivable, net of current portion	81,250
Assets held in charitable remainder trust	66,557
Donated goods inventory	43,260
Investments - long-term	1,060,850
Total Other Assets	1,251,917
Total Assets	$ 1,676,822
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 1,206
Total Current Liabilities	1,206
LIABILITY UNDER TRUST AGREEMENT	31,004
Total Liabilities	32,210
NET ASSETS	
Unrestricted:	
Undesignated	41,296
Board designated	65,171
Total Unrestricted	106,467
Temporarily restricted	841,873
Permanently restricted	696,272
Total Net Assets	1,644,612
Total Liabilities and Net Assets	$ 1,676,822

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

Clover Park Technical College Foundation

Statement of Activities

For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Public support -				
Contributions	$ 182,685	$ 16,646	$ 20,479	$ 219,810
Donated goods and services	251,360	-	-	251,360
Investment income (loss)	888	144,460	-	145,348
Total Support and Revenue	434,933	161,106	20,479	616,518
Net assets released from restrictions and reclassifications	104,864	(104,864)	-	-
Total Support, Revenue and Reclassifications	539,797	56,242	20,479	616,518
EXPENSES				
Program services:				
Scholarships and grants	110,657	-	-	110,657
Program specific support	223,894	-	-	223,894
Total Program Services	334,551	-	-	334,551
Supporting services:				
General and administrative	151,432			151,432
Fundraising	33,768	-	-	33,768
Total Supporting Services	185,200	-	-	185,200
Total Expenses	519,751	-	-	519,751
Change in Net Assets	20,046	56,242	20,479	96,767
Net assets - Beginning of Year	86,421	785,631	675,793	1,547,845
Net assets - End of Year	$ 106,467	$ 841,873	$ 696,272	$1,644,612

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

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Clover Park Technical College (the College) is a comprehensive technical college offering open-door academic programs, workforce education, basic skills, and community services. The College confers an applied baccalaureate degree, associates degrees, certificates and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the State Senate.

The College is an agency of the State of Washington. The financial activity of the College is included in the State's Comprehensive Annual Financial Report.

The Clover Park Technical College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1992 and recognized as a tax exempt 501(c)(3) charitable organization. The Foundations' charitable purpose is to build relationships with the community and to acquire resources to support academic excellence and educational access at the College. Because the majority of the Foundation's resources are restricted by donors and may only be used for the benefit of the College or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39, and 14. A discrete component unit is an entity, which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. The Foundation provided support totaling $334,551 and $551,764 during the years ended December 31, 2017 and 2016, respectively, for student and direct program support, College related functions, and general promotion and recognition activities. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 4500 Steilacoom Blvd SW, Lakewood, WA 98499.

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 businesses 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.

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

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

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

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

Cash, Cash Equivalents, and Investments

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

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is used to cover banking fees associated with College operations. The internal investment pool is comprised of cash and cash equivalents.

Accounts Receivable

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

Inventories

Inventories, consisting primarily of materials related to the College Realistic Training Experience (RTE) programs, are valued at cost using the first in, first out (FIFO) method.

Capital Assets

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

Land, buildings, and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. 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 No. 42, the College reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2018, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. Unearned revenues also include tuition and fees paid with financial aid funds. The College has recorded summer quarter tuition and fees as well as rent received for future periods as unearned revenues.

Tax Exemption

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

Net Pension Liability

For purposes of measuring the net pension liability in accordance with GASB No. 68, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Beginning in fiscal year 2017, the College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB No. 68 (Accounting and Financial Reporting for Pensions).* The reporting requirements are similar to GASB No. 68 but use current fiscal year end as the measurement date for reporting the pension liabilities.

Total OPEB Liability

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Deferred outflows related to pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed period of time. Deferred inflows related to pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized in the same manner as deferred outflows.

Deferred outflows and inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the college's proportionate share of pension liabilities. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Employer transactions to pension plans made subsequent to the measurement date are also deferred and reduce pension liabilities in the subsequent year.

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

Net Position

The College's net position is classified as follows:

- *Net Investment in Capital Assets*. This represents the College's total investment in capital assets, net of outstanding debt obligations, related to those capital assets.
- *Restricted for Expendable*. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
- *Unrestricted*. These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues and Expenses

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

- *Operating Revenues*. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most federal, state and local grants and contracts that primarily support the operational/educational activities of the college. Examples include a contract with OSPI to offer Running Start and/or Technical High School. The College also receives Adult Basic Education grants that support the primary educational mission of the College.
- *Operating Expenses.* Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation.
- *Non-operating Revenues*. This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, investment income, and Pell grants received from the federal government.
- *Non-operating Expenses.* Non-operating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on the Certificates of Participation debt.

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 were $5,816,540.

State Appropriations

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

Building and Innovation Fee Remittance

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

Accounting and Reporting Changes

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).* The scope of this Statement addresses accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to employees of state and local governmental employers. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria, and for employers whose employees are provided with defined contribution OPEB. The College has implemented this pronouncement during the 2018 fiscal year.

Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB),* the College has a deficit unrestricted net position of $291,742. 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 16.

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.

The College elected to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* during the year ended June 30, 2018. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will no longer be capitalized and included in the historical cost of a capital asset for the College beginning in fiscal year 2018.

Prior Period Adjustment

Beginning net position was restated by $17,808,730 in fiscal year 2018 as a result of implementing GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).*

Accounting Standards 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 date 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.

2. Cash and Cash Equivalents

Cash and cash equivalents include bank demand deposits, petty cash held at the College, and unit shares in the Local Government Investment Pool (LGIP). Investments of surplus or pooled cash balances are included on the accompanying Statement of Net Position and Statement of Cash Flows with “Cash and Cash Equivalents.” The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at fair value or amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates.

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. 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 Comprehensive Annual Financial report, which can be found online at http://www/ofm/wa/gov/cafr/.

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

As of June 30, 2018, the carrying amount of the College's cash and cash equivalents was $24,577,257 as represented in the table below:

Cash and Cash Equivalents		Amount
Petty cash and change funds	$	6,755
Deposits in transit	$	33,283
Bank demand		6,557,321
Local government investment pool		17,979,898
Total Cash and Cash Equivalents	**$**	**24,577,257**

Unrestricted Cash	$	24,504,395
Restricted Cash	$	72,862

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

Investments
Investments consist only of the LGIP investments which are considered cash and cash equivalents for financial statement reporting purposes.

Interest Rate Risk—Investments
The College manages its exposure to fair value losses resulting from changes in interest rates by investing in the LGIP.

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, the College did not have any investments other than the LGIP.

Investment Expenses

Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2018 were $1,414.

Fair Value Measurement

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 – Inputs that are unobservable and significant to the fair market value measurement. These are used only if relevant Level 1 and Level 2 inputs are not available.

At June 30, 2018, the College did not hold investments other than the LGIP which is not subject to the fair value hierarchy.

The Foundation held $1,060,850 in investments at December 31, 2017, and all investments are considered Level 1 investments and are held at their estimated fair value.

3. 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 expenditures made according to sponsored agreements. At June 30, 2018, accounts receivable were as follows:

Accounts Receivable	Amount
Student Tuition and Fees	$ 1,411,306
Due from the Federal Government	380,633
Due from Office of the State Treasurer (OST):	
Vendor Payment Advance (VPA)	22,150
Unspent Proceeds from Certificates of Participation	34,690,775
Due from Other State Agencies	323,804
Due from Other Governments	180,942
Auxiliary Enterprises	105,121
Unbilled Tuition	1,069,513
Other	1,364
Subtotal	38,185,608
Less Allowance for Uncollectible Accounts	(1,346,745)
Accounts Receivable, net	$ 36,838,863

4. Inventories

Inventories, stated at cost using the first in, first out method (FIFO), consisted of the following as of June 30, 2018:

Inventories	Amount
Consumable Inventories	$ 79,609
Total Inventories	$ 79,609

5. Capital Assets

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

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	$ 12,833,914	$ -	$ -	$ 12,833,914
Construction in progress	1,216,116	7,146,654	-	8,362,770
Total nondepreciable capital assets	14,050,030	7,146,654	-	21,196,684
Depreciable capital assets				
Buildings	102,631,888	-	-	102,631,888
Other improvements and infrastructure	744,374	-	-	744,374
Equipment	10,477,553	468,604	(237,919)	10,708,238
Library resources	1,754,468	6,510	(1,320)	1,759,658
Subtotal depreciable capital assets	115,608,283	475,114	(239,239)	115,844,158
Less accumulated depreciation				
Buildings	30,801,084	2,076,183	-	32,877,267
Other improvements and infrastructure	91,561	24,813	-	116,374
Equipment	6,041,102	1,011,004	(226,158)	6,825,948
Library resources	1,695,129	17,384	(1,320)	1,711,193
Total accumulated depreciation	38,628,876	3,129,384	(227,478)	41,530,782
Total depreciable capital assets	76,979,407	(2,654,270)	(11,761)	74,313,376
Capital assets, net of accumulated depreciation	**$ 91,029,437**	**$ 4,492,384**	**$ (11,761)**	**$ 95,510,060**

The current year depreciation expense was $3,129,384.

6. Accounts Payable and Accrued Liabilities

At June 30, 2018, accrued liabilities are the following:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 984,841
Accounts Payable	2,704,680
Accrued Interest	193,277
Accrued Liabilities	339,593
Total Accounts Payable and Accrued Liabilities	$ 4,222,391

7. Unearned Revenue

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

Unearned Revenue	Amount
Summer Quarter Tuition & Fees	$ 2,000,897
Rental Income	407,400
Total Unearned Revenue	$ 2,408,297

In 2007, the College entered into an interlocal lease and services agreement with the City of Lakewood (City) in which the City agreed to pay $101,850 per year for 20 years in exchange for access to use the College's Conference Center for 18 dates per year at no charge for 30 years. The amount in unearned revenue represents rent that will be recognized each year in income during the last 10 years of the agreement.

8. Joint Venture

A joint venture is a legal entity or other organization that results from a contractual arrangement 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 Pierce 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 businesses 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 has a nine member governing body, which includes three voting members. The College appoints three 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 gross revenue from the reserve fund. For the fiscal year ended June 30, 2018, the change in net position was $52,282 and total net position was $617,524. 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. S.W. Building 19, Lakewood, WA 98499.

9. Risk Management

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. Payments made for claims from July 1, 2017 through June 30, 2018, were $102,070.

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

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

10. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Subject to provisions in their collective bargaining agreements, employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $870,449, accrued sick leave totaled $917,458, and comp time totaled $4,879 at June 30, 2018.

Compensatory time is categorized as a current liability since it must be used before other leave. A three-year average of vacation and sick leave taken is used to estimate the current portion of that liability. The remaining accrued vacation and sick leave are categorized as non-current liabilities.

11. Notes Payable

In June 2006, the College obtained financing in order to construct the Associated Student Government Building and Conference Center through a COP issued by the Washington Office of State Treasurer (OST) in the amount of $14,370,000. Students assessed themselves, on a quarterly basis, a mandatory fee to partially service the debt starting in 2006. The interest rate charged was 4.76%

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

In October, 2015, the COP was refinanced for eleven years at 2.14%. The principal balance was $8,300,000 for a net savings in interest of $944,179. The College's debt service requirements for this note agreement for the next five years and thereafter are shown in Note 13.

In May 2018, the College obtained financing in order to construct the Center for Advanced Manufacturing Technologies through a COP issued by the Washington Office of State Treasurer (OST) in the amount of $31,135,000. The interest rate to be charged is 3.43%.

12. Annual Debt Service Requirements

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

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2019	$ 1,415,000	$ 2,098,790	$ 3,513,790
2020	1,705,000	1,807,500	3,512,500
2021	1,790,000	1,722,250	3,512,250
2022	1,875,000	1,632,750	3,507,750
2023	1,965,000	1,539,000	3,504,000
2024-2028	9,395,000	6,165,750	15,560,750
2029-2033	8,530,000	4,043,250	12,573,250
2034-2038	10,890,000	1,686,500	12,576,500
Total	**$ 37,565,000**	**$ 20,695,790**	**$ 58,260,790**

13. Schedule of Long Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Certificates of Participation	$ 7,070,000	$ 31,135,000	$ 640,000	$ 37,565,000	$ 1,415,000
Compensated Absences	1,749,166	954,548	910,928	1,792,786	960,490
Pension Liability	9,012,106		2,167,576	6,844,530	32,513
OPEB Liability	-	15,629,461	-	15,629,461	1,534,240
Total	$ 17,831,272	$ 47,719,009	$ 3,718,504	$ 61,831,777	$ 3,942,243

14. Pension Liability

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

Pension Liability by Plan	Total
PERS 1	$ 2,343,974
PERS 2/3	2,106,429
TRS 1	471,569
TRS 2/3	147,477
SBRP	1,775,081
Total	**$ 6,844,530**

15. Retirement Plans

A. General

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) plans are cost sharing multiple employer defined benefit pension plans administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan (SBRP) is a defined contribution single employer pension plan with a supplemental payment when required. SBRP is administered by the State Board for Community and Technical Colleges (SBCTC) and available to faculty, exempt administrative, and professional staff of the state's public community and technical colleges. The College reports its proportionate share of the total pension liability as it is a part of the college system.

For FY 2018, the payroll for the College's employees was $5,575,669 for PERS, $1,021,065 for TRS, and $11,281,914 for SBRP. Total covered payroll was $17,878,648.

Basis of Accounting

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

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statements No. 68 and 73 for Clover Park Technical College, for fiscal year 2018:

Aggregate Pension Amounts - All Plans	Total
Pension liabilities	$ (6,844,530)
Deferred outflows of resources related to pensions	$ 1,233,715
Deferred inflows of resources related to pensions	$ (1,889,657)
Pension expense	$ 349,505

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

PERS and TRS

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

TRS Plan 2 provides retirement benefits to certain eligible faculty hired on or after October 1, 1977 and by June 30, 1996 as well as employees on or after July 1, 2007 who chose Plan 2. The plan includes a defined benefit portion that is funded by employer contributions. Benefits are vested after an employee completes five or ten years of eligible service, depending on the employee's age and service credit. The College has 3 faculty members with pre-existing eligibility who continue to participate in TRS 2.

TRS Plan 3 provides retirement benefits to certain eligible faculty hired on or after July 1, 1996 and employees on or after July 1, 2007 who chose Plan 3. The plan includes both a defined benefit portion and a defined contribution portion. The defined benefit portion is funded by employer contributions only. Benefits are vested after an employee completes five or ten years of eligible service, depending on the employee's age and service credit, and include an annual cost-of living adjustment. The defined contribution component is fully funded by employee contributions and investment performance.

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

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

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

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

Contribution Rates at June 30

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

Required Contributions

	FY 2016		FY 2017		FY 2018	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$ 9,858	$ 18,369	$ 7,292	$ 13,587	$ 2,036	$ 4,309
Plan 2	$ 282,234	$ 515,573	$ 269,075	$ 491,533	$ 314,720	$ 541,593
Plan 3	$ 85,869	$ 167,533	$ 87,809	$ 171,283	$ 72,470	$ 162,209
TRS						
Plan 1	$ -	$ -	$ -	$ -	$ -	$ -
Plan 2	$ 12,561	$ 27,520	$ 13,370	$ 29,503	$ 15,970	$ 34,507
Plan 3	$ 40,853	$ 69,595	$ 48,577	$ 85,900	$ 60,662	$ 117,745

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%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
Total	100%	

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

Pension Expense

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Actuarily determined penison expense	$ 141,710	$ 295,882	$ 30,644	$ 55,487	$ 523,723
Amortization of change in proportionate share of liability	(250,611)	30,771	33,820	8,975	(177,045)
Total Pension Expense	**$ (108,901)**	**$ 326,653**	**$ 64,464**	**$ 64,462**	**$ 346,678**

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:

Pension Plan	2016	2017	Change
PERS 1	0.054185%	0.049398%	-0.004787%
PERS 2/3	0.065387%	0.060625%	-0.004762%
TRS 1	0.014575%	0.015598%	0.001023%
TRS 2/3	0.015042%	0.015979%	0.000937%

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

Actuarial Assumptions

The total pension liability 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 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: 3.0% total economic inflation; 3.75% salary inflation
- Salary Increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.50%

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table." The Society of Actuaries published the document. 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 the member's 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 total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements.

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

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

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the College calculated using the discount rate of 7.50 percent, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Pension Plan	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS Plan 1	$ 2,855,408	$ 2,343,974	$ 1,900,962
PERS Plan 2/3	$ 5,674,940	$ 2,106,429	$ (817,437)
TRS Plan 1	$ 586,386	$ 471,569	$ 372,187
TRS Plan 2/3	$ 500,885	$ 147,477	$ (139,557)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions
The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2018:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 213,431	$ 69,277
Difference between expected and actual earnings of pension plan investments	-	87,471	-	561,523
Changes of Assumptions	-	-	22,374	-
Changes in College's proportionate share of pension liabilities	-	-	59,184	178,372
Contributions to pension plans after measurement date	283,057	-	425,054	-
	$ 283,057	**$ 87,471**	**$ 720,043**	**$ 809,172**

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 36,776	$ 7,524
Difference between expected and actual earnings of pension plan investments	-	19,978	-	53,371
Changes of Assumptions	-	-	1,738	-
Changes in College's proportionate share of pension liabilities	-	-	39,847	2,632
Contributions to pension plans after measurement date	72,047	-	80,207	-
	$ 72,047	**$ 19,978**	**$ 158,568**	**$ 63,527**

The $860,365 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2019.

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

Year ended June 30	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2019	$ (59,124)	$ (214,905)	$ (14,674)	$ (11,936)
2020	18,667	47,981	5,494	18,330
2021	(4,334)	(73,252)	(488)	6,740
2022	(42,680)	(253,667)	(10,310)	(16,928)
2023	-	(8,843)	-	3,881
Thereafter	-	(11,497)	-	14,747
Total	**$ (87,471)**	**$ (514,183)**	**$ (19,978)**	**$ 14,834**

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

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2018 were each $992,592.

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

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

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

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

The SRP pension benefits are unfunded. For the year ended June 30, 2018, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of $1,300,000. The College's share of this amount was $26,472. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2018, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $22,552,838. This amount was not used as a part of GASB 73 calculations since its status as an asset has not been determined by the Legislature. As of June 30, 2018, the Community and Technical College system accounted for $16,351,270 of the fund balance.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.50% - 4.25%
Fixed Income and Variable Income Investment Returns	4.25%-6.25%

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

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

Material assumption changes during the measurement period include the discount rate increase from 3.58 percent to 3.87 percent and the variable income investment return assumption dropping from 6.75 percent to 6.25 percent.

Discount Rate

The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.87 percent for the June 30, 2018, measurement date.

Pension Expense

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

Proportionate Share (%)		**2.04%**
Service Cost	$	77,928
Interest Cost		71,616
Differences Between Expected and Actual Experience		(94,361)
Amortization of Changes in Assumptions		(24,985)
Changes of Benefit Terms		-
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		**30,198**
Amortization of the Change in Proportionate Share of TPL		(27,371)
Total Pension Expense	**$**	**2,827**

Proportionate Shares of Pension Liabilities

The College’s proportionate share of pension liabilities for fiscal year ending June 30, 2018 was 2.04%. The College’s proportion of the net pension liability was based on a projection of the College’s long-term share of contributions to the pension plan to the projected contributions of all participating College’s. The College’s change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Proportionate Share (%) 2017		**2.22%**
Proportionate Share (%) 2018		**2.04%**
Total Pension Liability - Ending 2017	$	2,105,735
Total Pension Liability - Beginning 2018		1,935,478
Total Pension Liability - Change in Proportion		(170,257)
Total Deferred Inflow/Outflows - 2017		602,499
Total Deferred Inflow/Outflows - 2018		553,785
Total Deferred Inflows/Outflows - Change in Proportion		(48,714)
Total Change in Proportion	**$**	**(218,971)**

Plan Membership

Membership of the State Board Supplemental Retirement Plans consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Number of Participating Members				
Plan	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
State Board for Community and Technical Colleges (SBCTC) - SBRP	2	0	130	132

Change in Total Pension Liability/ (Asset)

The following table presents the change in total pension liability of the State Board Supplemental Retirement Plan at June 30, 2018, the latest measurement date for all plans:

Total Pension Liability		Amount
Service Cost	$	77,928
Interest		71,617
Changes of benefit terms		-
Differences between expected and actual experience		(211,813)
Changes of assumptions		(71,656)
Benefit payments		(26,472)
Change in proportionate share of TPL		(170,257)
Net Change In Total Pension Liability		(330,653)
Total Pension Liability - Beginning		2,105,734
Total Pension Liability - Ending	$	1,775,081

Sensitivity of the Total Pension Liability/ (Asset) to Changes in the Discount Rate

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

Total Pension Liability/(Asset)	1% Decrease	Current Discount Rate	1% Increase
State Board for Community and Technical Colleges (SBCTC) - SBRP	$ 2,024,628	$ 1,775,081	$ 1,567,518

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

State Board for Community and Technical Colleges (SBCTC) - SBRP	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ 565,494
Changes of Assumptions	-	152,415
Changes in College's proportionate share of pension liability	-	191,600
Transactions subsequent to the measurement date	-	-
	$ -	**$ 909,509**

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 for Community and Technical Colleges (SBCTC) - SBRP		
2019	$	(146,717)
2020		(146,717)
2021		(146,717)
2022		(146,717)
2023		(146,717)
Thereafter		(175,924)
Total	**$**	**(909,509)**

D. Defined Contribution Plans

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

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by RCW 41.34, 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 to Note 11.B for TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by RCW 41.34, 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.

16. 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 15, the College, through the Health Care Authority (HCA), administers a single employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description

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

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

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

Employees Covered by Benefit Terms

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

Summary of Plan Participants As of June 30, 2017	
Active Employees	312
Retirees Receiving Benefits*	80
Retirees Not Receiving Benefits**	16
Total Active Employees and Retirees	408

*Enrollment data for June, 2017 from Report 1: PEBB Total Member Enrollment for June 2019 Coverage report. PEBB Retirees only.

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

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

Benefits Provided

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

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

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

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

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

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

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

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

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

Total OPEB Liability
As of June 30, 2018, the state reported a total OPEB liability of $5.83 billion. The College's proportionate share of the total OPEB liability is $15,629,461. This liability was determined based on a measurement date of June 30, 2017.

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

Inflation Rate	3%
Projected Salary Changes	3.75% Plus Service-Based Salary Increases
Health Care Trend Rates*	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 7%, reaching an ultimate rate of approximately 5% in 2080
Post-Retirement Participation 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	1/1/2017
Actuarial Measurement Date	6/30/2017
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

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

Discount Rate

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

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

Changes in Total OPEB Liability

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

Clover Park Technical College		
Proportionate Share (%)		**0.2682790426%**
Service Cost	$	1,059,582
Interest Cost		496,315
Differences Between Expected and Actual Experience		-
Changes in Assumptions*		(2,421,032)
Changes of Benefit Terms		-
Benefit Payments		(252,930)
Changes in Proportionate Share		(1,334,286)
Other		-
Net Change in Total OPEB Liability		(2,452,351)
Total OPEB Liability - Beginning		18,081,812
Total OPEB Liability - Ending	**$**	**15,629,461**

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

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

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

Discount Rate Sensitivity		
1% Decrease	**Current Discount Rate**	**1% Increase**
$19,069,872	$15,629,461	$12,967,135

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

Health Care Cost Trend Rate Sensitivity		
1% Decrease	**Current Discount Rate**	**1% Increase**
$12,626,453	$15,629,461	$19,659,765

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

For the year ending June 30, 2018, the College will recognize OPEB expense of $1,140,878. OPEB expense consists of the following elements:

Clover Park Technical College		
Proportionate Share (%)		**0.2682790426%**
Service Cost	$	1,059,582
Interest Cost		496,315
Amortization of Differences Between Expected and Actual Experience		-
Amortization of Changes in Assumptions		(269,004)
Changes of Benefit Terms		-
Amortization of Changes in Proportionate Share		(146,015)
Administrative Expenses		-
Total OPEB Expense		**1,140,878**

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

Clover Park Technical College		
Proportionate Share (%)	**0.2682790426%**	
Deferred Inflows/Outflows of Resources	**Deferred Outflows**	**Deferred Inflows**
Difference between expected and actual experience	$ -	$ -
Changes in assumptions		2,152,029
Transactions subsequent to the measurement date	247,346	-
Changes in proportion	-	1,168,119
Total Deferred Inflows/Outflows	**$ 247,346**	**$ 3,320,148**

Amounts reported as deferred outflow of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

Clover Park Technical College	
Proportionate Share (%)	**0.2682790426%**
2019	$ (269,004)
2020	(269,004)
2021	(269,004)
2022	(269,004)
2023	(269,004)
Thereafter	(807,009)
Total	**$ (2,152,029)**

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

Proportionate Share (%) 2016		**0.2896529974%**
Proportionate Share (%) 2017		**0.2682790426%**
Total OPEB Liability - Ending 2016	$	18,081,812
Total OPEB Liability - Beginning 2017		16,747,526
Total OPEB Liability Change in Proportion		(1,334,286)
Total Deferred Inflows/Outflows - 2016		273,081
Total Deferred Inflows/Outflows - 2017		252,930
Total Deferred Inflows/Outflows Change in Proportion		(20,151)
Total Change in Proportion	**$**	**(1,314,135)**

17. Operating Expenses by Program

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

Expenses by Functional Classification	Amount
Instruction	$ 14,354,409
Academic Support Services	4,159,418
Student Services	5,857,681
Institutional Support	4,165,301
Operations and Maintenance	3,901,514
Auxiliary Operations	5,155,115
Scholarships and Other Student Financial Aid	1,622,007
Depreciation	3,129,384
Total Operation Expenses	$ 42,344,829

18. Operating Leases

The College entered into an agreement with the City of Lakewood as part of the construction of the McGavick Center. The City agreed to contribute 11% of the construction costs in equal installments of $101,850 over 20 years. In return for the contribution, the City of Lakewood has use of the Center for 18 dates per year for a 30 year period. Lease payments received from the City for 2018 totaled $101,850. See Footnote 7 for unearned income related to this agreement. The future minimum lease payments are as follows:

Fiscal Year	Amount
2019	101,850
2020	101,850
2021	101,850
Total	**$ 305,550**

19. Commitments and Contingencies

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

The College has commitments of $26,850,108 for various capital improvement projects that include construction and completion of new buildings and renovations of existing building.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Clover Park Technical College's Proportionate Share of the Net Pension Liability:

Schedule of Clover Park Technical College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.053744%	$ 2,707,379	$ 5,694,398	47.54%	61.19%
2015	0.052680%	$ 2,755,654	$ 5,832,883	47.24%	59.10%
2016	0.054185%	$ 2,909,990	$ 6,275,450	46.37%	57.03%
2017	0.049398%	$ 2,343,974	$ 5,575,669	42.04%	61.24%
2018					
2019					
2020					
2021					
2022					
2023					

Schedule of Clover Park Technical College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.063904%	$ 1,291,731	$ 5,489,568	23.53%	93.29%
2015	0.063670%	$ 2,274,966	$ 5,662,352	40.18%	89.20%
2016	0.065387%	$ 3,292,185	$ 6,111,143	53.87%	85.82%
2017	0.060625%	$ 2,106,429	$ 5,541,741	38.01%	90.97%
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Clover Park Technical College's Proportionate Share of the Net Pension Liability:

Schedule of Clover Park Technical College's Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1
Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.009333%	$ 275,272	$ 444,737	61.90%	68.77%
2015	0.010553%	$ 334,334	$ 527,297	63.41%	65.70%
2016	0.014575%	$ 497,625	$ 765,000	65.05%	62.07%
2017	0.015598%	$ 471,569	$ 1,021,065	46.18%	65.58%
2018					
2019					
2020					
2021					
2022					
2023					

Schedule of Clover Park Technical College's Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 2/3
Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.010065%	$ 32,509	$ 444,737	7.31%	96.81%
2015	0.011165%	$ 94,211	$ 527,297	17.87%	92.48%
2016	0.015042%	$ 206,571	$ 765,000	27.00%	88.72%
2017	0.015979%	$ 147,477	$ 1,021,065	14.44%	93.14%
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Contributions:

Schedule of Contributions **Public Employees' Retirement System (PERS) Plan 1** Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered–employee payroll
2014	$ 240,915	$ 240,915	$ -	$ 5,694,398	4.23%
2015	$ 242,593	$ 242,593	$ -	$ 5,832,883	4.16%
2016	$ 309,814	$ 309,814	$ -	$ 6,275,450	4.94%
2017	$ 296,375	$ 296,375	$ -	$ 6,050,434	4.90%
2018	$ 283,058	$ 283,058	$ -	$ 5,575,669	5.08%
2019					
2020					
2021					
2022					
2023					

Schedule of Contributions **Public Employees' Retirement System (PERS) Plan 2/3** Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered–employee payroll
2014	$ 282,553	$ 282,553	$ -	$ 5,489,568	5.15%
2015	$ 294,466	$ 294,466	$ -	$ 5,662,352	5.20%
2016	$ 391,662	$ 391,662	$ -	$ 6,111,143	6.41%
2017	$ 380,029	$ 380,029	$ -	$ 5,928,903	6.41%
2018	$ 425,052	$ 425,052	$ -	$ 5,541,741	7.67%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Contributions:

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered–employee payroll
2014	$ 18,695	$ 18,695	$ -	$ 444,737	4.20%
2015	$ 23,837	$ 23,837	$ -	$ 527,297	4.52%
2016	$ 45,533	$ 45,533	$ -	$ 765,000	5.95%
2017	$ 54,757	$ 54,757	$ -	$ 878,929	6.23%
2018	$ 72,047	$ 72,047	$ -	$ 1,021,065	7.06%
2019					
2020					
2021					
2022					
2023					

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)	College's covered payroll	Contributions as a percentage of covered–employee payroll
2014	$ 25,802	$ 25,802	$ -	$ 444,737	5.80%
2015	$ 30,949	$ 30,949	$ -	$ 527,297	5.87%
2016	$ 51,582	$ 51,582	$ -	$ 765,000	6.74%
2017	$ 60,646	$ 60,646	$ -	$ 878,929	6.90%
2018	$ 80,206	$ 80,206	$ -	$ 1,021,065	7.86%
2019					
2020					
2021					
2022					
2023					

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

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Total Pension Liability and Related Ratios Clover Park Technical College Fiscal Year Ended June 30		
	2017	**2018**
Total Pension Liability		
Service cost	$ 120,008	$ 77,928
Interest	77,849	71,617
Changes of benefit terms	-	-
Differences between expected and actual experience	(561,293)	(211,813)
Changes of assumptions	(132,481)	(71,656)
Benefit payments	(19,983)	(26,472)
Change in proprtionate share of TPL	-	(170,257)
Net Change in Total Pension Liability	**(515,900)**	**(330,653)**
Total Pension Liability - Beginning	**2,621,634**	**2,105,734**
Total Pension Liability - Ending	**$ 2,105,734**	**$ 1,775,081**
College's Proportion of the Pension Liability	2.215397%	2.036274%
College's Covered payroll	$ 23,991,956	$ 22,552,838
Total Pension Liability as a percentage of covered-employee payroll	8.776833%	7.870766%

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

The State Board Supplemental Retirement Plans are financed on a pay-as-you-go basis. Since the 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.

Clover Park Technical College
Other Postemployment Benefits Information

Schedule of Changes in the Total OPEB Liability and Related Ratios Clover Park Technical College Fiscal Year Ended June 30	
Total OPEB Liability	**2018**
Service cost	$ 1,059,582
Interest cost	496,315
Difference between expected and actual experience	-
Changes in assumptions	(2,421,032)
Changes in beneft terms	-
Benefit payments	(252,930)
Changes in proportionate share	(1,334,286)
Other	-
Net Change in Total OPEB Liability	**(2,452,351)**
Total OPEB Liability - Beginning	**18,081,812**
Total OPEB Liability - Ending	**$15,629,461**
College's Proportion of the OPEB Liability	0.268279%
College's Covered payroll	$ 18,315,200
Total OPEB Liability as a percentage of covered-employee payroll	85.336011%

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

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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