Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Clover Park Technical College

For the period July 1, 2018 through June 30, 2019

Published April 13, 2020

Report No. 1025974

Office of the Washington State Auditor
Pat McCarthy

April 13, 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

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

Clover Park Technical College
July 1, 2018 through June 30, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 6, 2020.

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, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 18 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the College. Management's plans in response to this matter are also described in Note 18.

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 that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

April 6, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Clover Park Technical College
July 1, 2018 through June 30, 2019

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, 2019, 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, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of 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, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 18 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the College. Management's plans in response to this matter are also described in Note 18. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards,* we have also issued our report dated April 6, 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

April 6, 2020

FINANCIAL SECTION

Clover Park Technical College
July 1, 2018 through June 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

College Statement of Net Position – 2019
College Statement of Revenues, Expenses and Changes in Net Position – 2019
College Statement of Cash Flows – 2019
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REQUIRED SUPPLEMENTARY INFORMATION

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Schedules of Contributions – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2019
Schedule of Changes in the Total Pension Liability and Related Ratios – State Board Supplemental Defined Benefit Plans – Notes to Required Supplementary Information – 2019
Schedule of Changes in the Total OPEB Liability and Related Ratios – Other Postemployment Benefits Information – Notes to Required Supplementary Information – 2019

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, 2019 (FY 2019). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

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, 2019. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash Flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the College's financial health.

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

Statement of Net Position

The Statement of Net Position provides information about the College's financial position, and presents the College's assets, deferred outflows, 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 2019**	**FY 2018**
Assets		
Current Assets	$ 36,278,234	$ 61,495,729
Other assets (INVISTA)	656,524	617,524
Capital Assets, net	121,509,496	95,510,060
Total Assets	**158,444,254**	**157,623,313**
Deferred Outflows	**2,306,625**	**1,481,061**
Liabilities		
Current Liabilities	9,432,844	10,645,793
Other Liabilities, non-current	53,713,500	57,889,534
Total Liabilities	**63,146,344**	**68,535,327**
Deferred Inflows	**9,106,735**	**5,209,805**
Net Position	**$ 88,497,800**	**$ 85,359,242**

Current assets consist primarily of cash, various accounts receivables, and inventories. The decrease in current assets is due mainly to a reduction of $26,434,306 in accounts receivable attributable to the spend down of a receivable from the State Treasurer's Office related to the 2018 certificate of participation debt issuance of $31,135,000 to construct the Center for Advanced Manufacturing Technologies.

Net capital assets increased by $25,999,437 mostly due to $27,851,210 expended in construction in progress for the Center for Advanced Manufacturing Technologies (CAMT) building which is expected to be completed in September of 2019. This increase was offset in part by depreciation expense of $3,031,326.

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 increase 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 $1,233,715 in FY 2018 and $1,617,749 in FY 2019 of pension-related deferred outflows.

Similarly, the increase in deferred inflows in FY 2019 reflects the increase in the difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others, and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements.

The net decrease in current liabilities from FY 2018 to FY 2019 is mostly due to a reduction of the current portion of the college's portion of the OPEB liability, a decrease of $1,296,651. There was also an increase of $290,000 in the current portion of Certificates of Participation payable, as well as an increase in unearned revenue of $238,986, related to an increase in summer and fall enrollments for the FY 1920 school year.

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 long term portions of pension liabilities and OPEB liability. The College's significant decrease in non-current liabilities of $4,176,034 is mainly a result of a decrease Certificate of Participation debt, a reduction of Net Pension Liability, as well as a decrease in 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.

Condensed Net Position As of June 30th	**FY 2019**	**FY 2018**
Net investment in capital assets	$ 85,359,497	$ 84,951,786
Restricted		
Expendable	978,804	699,198
Unrestricted	2,159,499	(291,742)
Net Position	**$ 88,497,800**	**$ 85,359,242**

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position accounts for the College's changes in total net position during FY 2019. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains, and losses of the College.

Generally, operating revenues are earned by the College in exchange for providing goods and services. Tuition 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, 2019 and 2018 is presented below:

Clover Park Technical College
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019 and 2018

	2019	**2018**
Operating Revenues		
Student tuition and fees, net	7,640,923	7,870,145
Auxiliary enterprise sales	1,032,981	957,561
Grants and contracts	6,351,210	6,766,178
Other operating revenues	2,040,182	1,321,252
Total operating revenues	**17,065,296**	**16,915,136**
Non-Operating Revenues		
State appropriations	23,985,086	20,710,253
Federal Pell grant revenue	6,503,174	5,768,677
Other non-operating revenues	893,437	5,205,513
Total non-operating revenues	31,381,698	31,684,443
Total revenues	**48,446,994**	**48,599,579**
Operating Expenses		
Salaries and Benefits	27,646,223	26,970,547
Scholarships, net of discounts	4,788,896	5,155,114
Depreciation	3,031,326	3,129,384
Other operating expenses	8,960,092	7,089,784
Total operating expenses	**44,426,537**	**42,344,829**
Non-Operating Expenses		
Building fee remittance	1,081,427	1,011,473
Other non-operating expenses	2,334,716	964,482
Total non-operating expenses	**3,416,143**	**1,975,955**
Total expenses	47,842,680	44,320,784
Excess (deficiency) before capital contributions	**604,314**	**4,278,795**
Capital appropriations and contributions	**2,534,244**	**2,013,569**
Change in Net position	**3,138,558**	**6,292,364**
Net Position		
Net position, beginning of year	85,359,242	96,875,607
Change in accounting principle as a result of GASB 75	-	(17,808,730)
Net position, end of year, as restated	85,359,242	79,066,877
Net position, end of year	**88,497,800**	**85,359,242**

Revenues

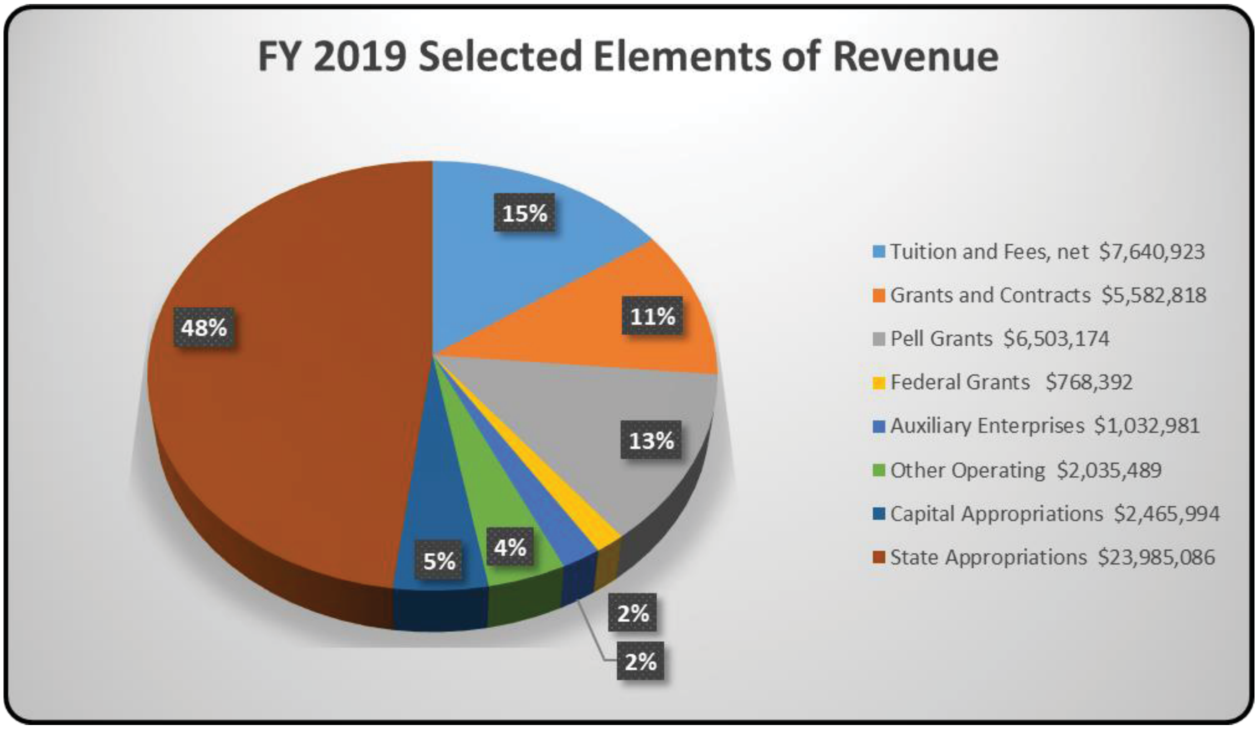
The State of Washington, through its legislative budget process, appropriates funds to the community college system as a whole and the State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC moved forward with a new allocation model, allocating funds to each of the 30 college's based on 3 year average FTE actuals. In FY 2019, the allocation model could not be used to adjust colleges' base allocations because such adjustments required that some colleges had to be overenrolled, which was not the case.

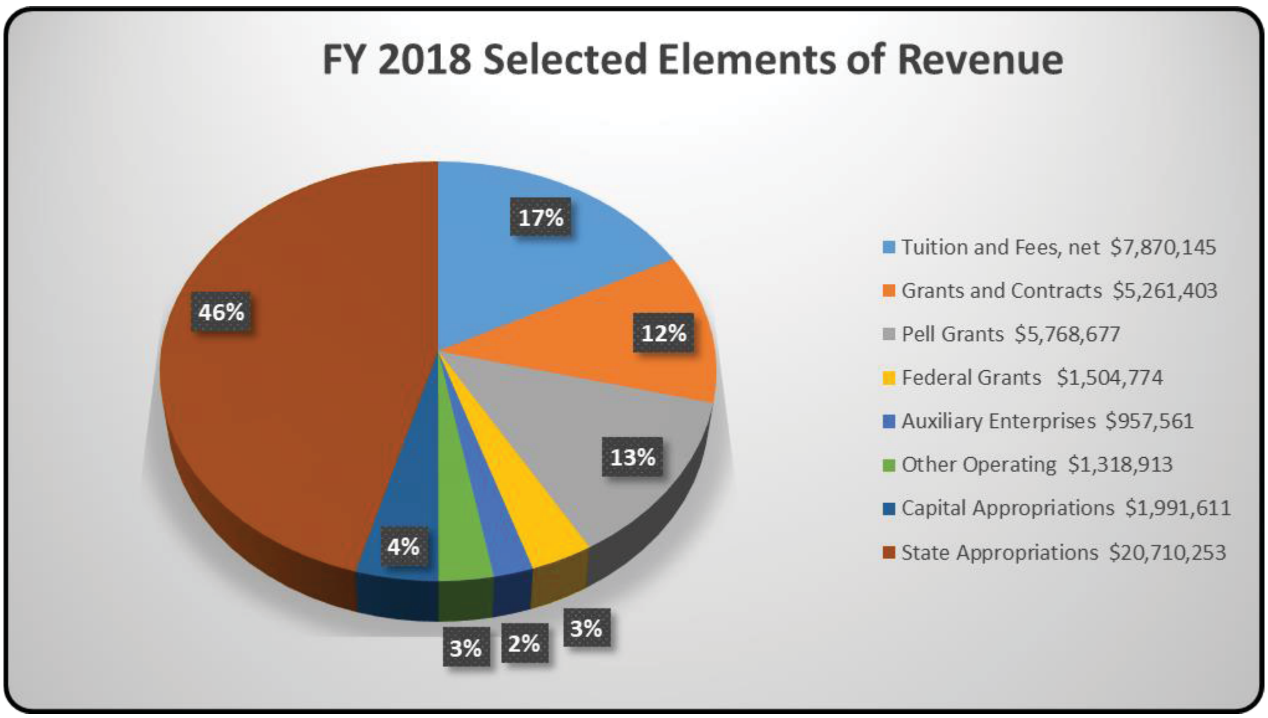
In FY17, the legislature enacted the Affordable Education Act, which reduced tuition rates at the College by 5%. The legislature did however backfill a portion of the loss in the operating allocation.

Pell grant revenues generally follow enrollment trends and can fluctuate year to year. While the College's enrollment increased marginally, other factors such as greater outreach efforts and a Department of Education increase to the maximum Pell award per student for the 2019 award year also contributed to the significant increase of $734,498 in the College's Pell Grant revenue. For FY 2019, 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 2019, grant and contract revenues for federal and state decreased by $414,967 when compared with FY 2018. This decrease is due to a decline in federal grants and contracts, which can fluctuate year over year. 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 2019 Selected Elements of Revenue
15%
11%
13%
48%
5%
4%
2%
2%
Tuition and Fees, net $7,640,923
Grants and Contracts $5,582,818
Pell Grants $6,503,174
Federal Grants $768,392
Auxiliary Enterprises $1,032,981
Other Operating $2,035,489
Capital Appropriations $2,465,994
State Appropriations $23,985,086


FY 2018 Selected Elements of Revenue
17%
12%
13%
46%
4%
3%
2%
3%
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

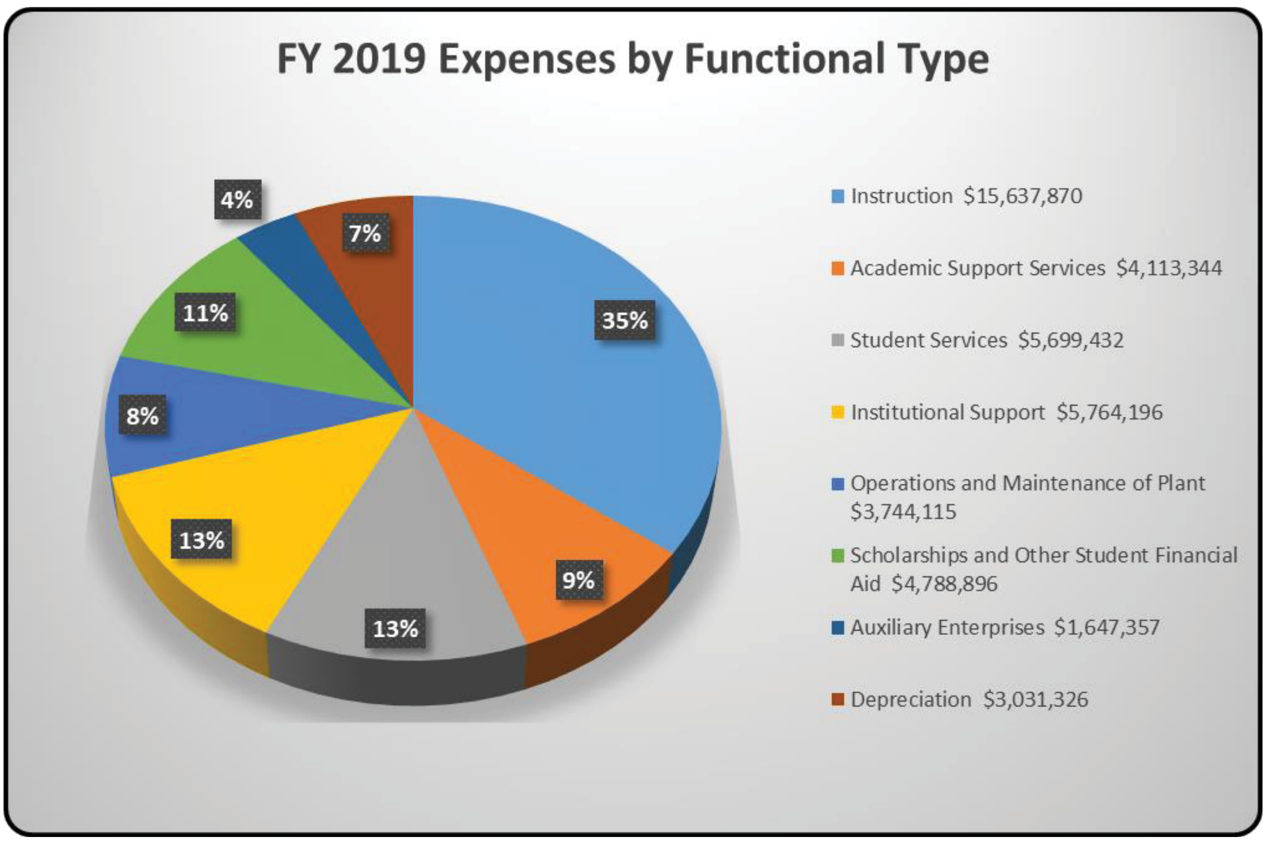
Expenses

The College has continuously sought opportunities to identify savings and efficiencies; however, the primary component of expense is salaries and benefits, which increased by $675,677 in FY 2019 due to a cost of living adjustment to salaries of 2% and a 4% increase in the cost of health care.

Scholarships and fellowship expenses were $366,219 lower in FY 2019 due to changes in the components that make up the scholarship allowance computation such as waivers, third party funding, student refunds, and federal student loans. Current year depreciation was $98,058 lower than the prior year, mostly attributable to a decrease in depreciation related to equipment. Repairs and maintenance increased by $1,792,468 as a result of a delay in the approval of the FY 2018 capital budget, which did not happen until December of 2018. This subsequently forced all of the biennial minor works budget to be expended after January of 2019 and into FY 2019. Because of these factors, total operating expenses increased overall by $2,081,708 (4.92%).

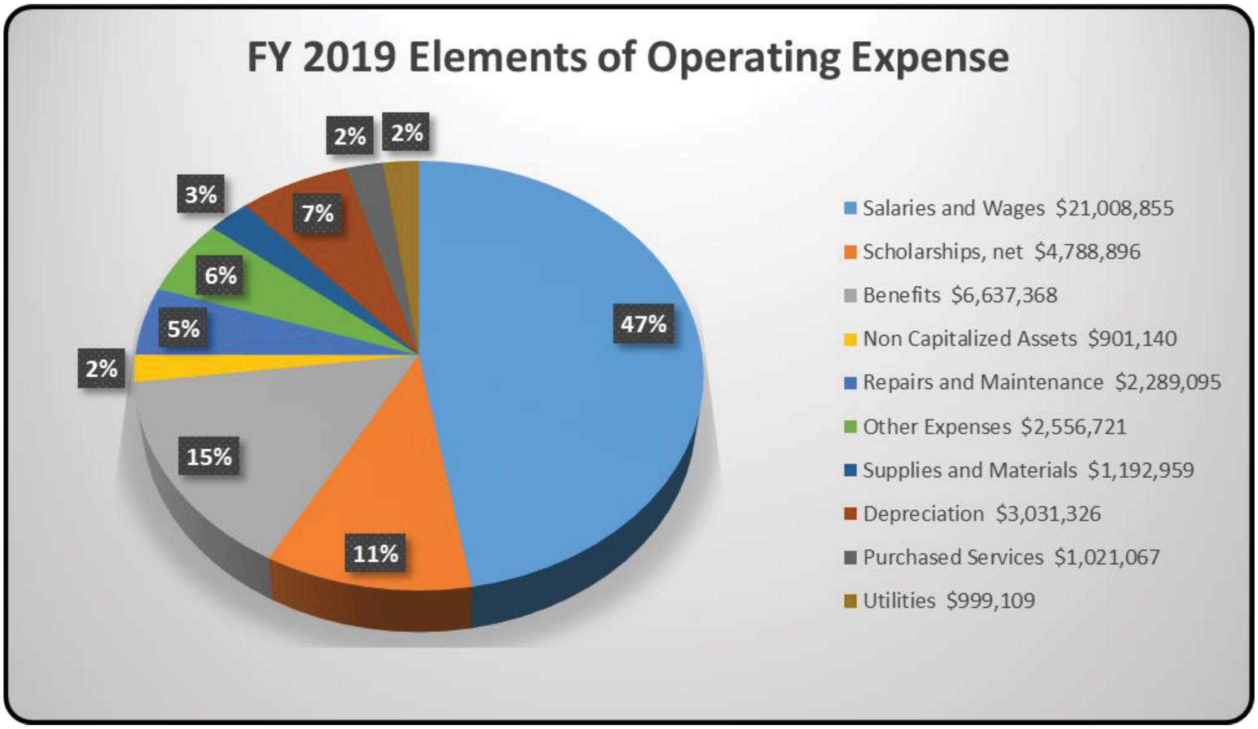
Operating Expenses by Function-

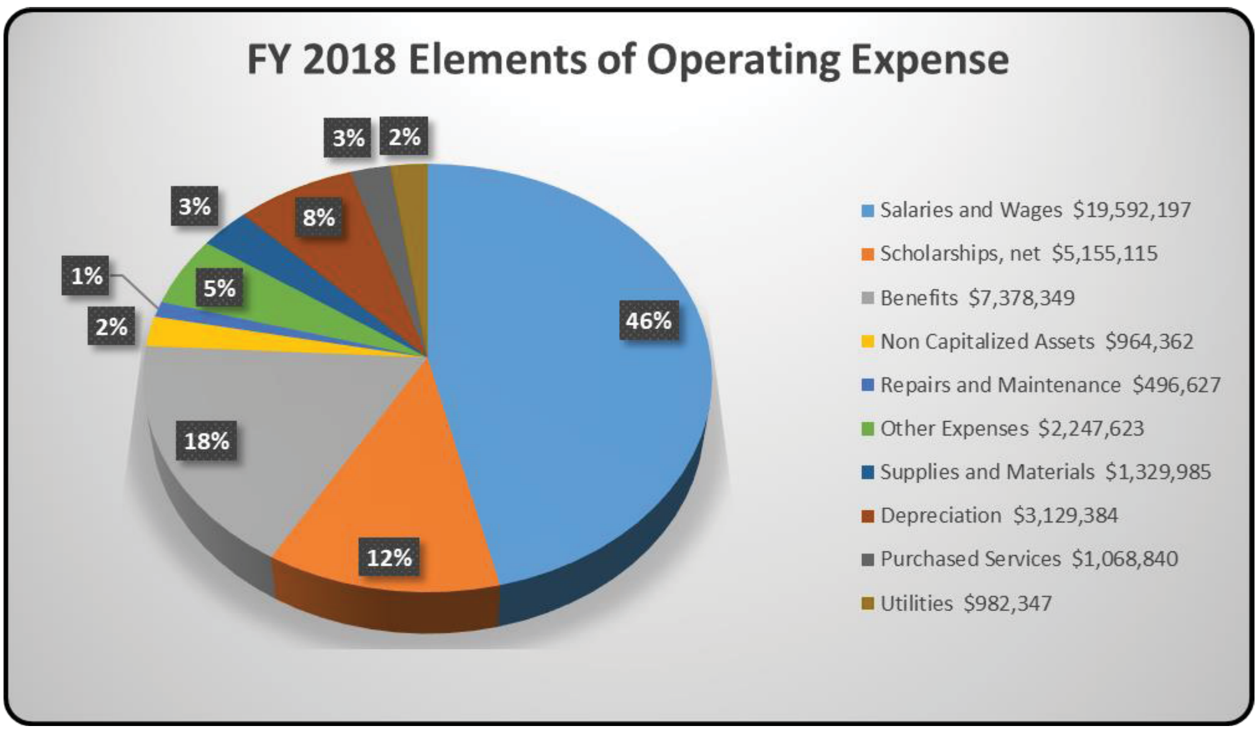
The chart below shows the percentage of each functional area of operating expenses for FY 2019:



Comparison of Selected Operating Expenses by Function

The chart below shows the amount, in dollars, for selected functional areas of operating expenses for FY 2019 and FY 2018:





Capital Assets

At June 30, 2019, the College had invested $121,509,497 in capital assets, net of accumulated depreciation and related debt. This represents an increase of $25,999,437 from last year, as shown in the table below:

Asset Type As of June 30th	FY 2019	FY 2018	Change
Land	$ 13,333,914	$ 12,833,914	$ 500,000
Construction in Progress	35,257,055	8,362,770	26,894,285
Buildings, net	68,832,279	69,754,621	(922,342)
Other Improvements and Infrastructure, net	603,187	628,000	(24,813)
Equipment, net	3,431,516	3,882,290	(450,774)
Library Resources, net	51,546	48,465	3,081
Total Capital Assets, Net	**$ 121,509,497**	**$ 95,510,060**	**$ 25,999,437**

The increase in net capital assets can be attributed to the construction in progress of the CAMT building. Additional information on capital assets can be found in Note 4 of the Notes to the Financial Statements.

Long-term Debt

At June 30, 2019, the College had $36,150,000 in outstanding debt, made up of Certificates of Participation (COP). The Certificates of Participation were obtained 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 10, 11, and 12 of the Notes to the Financial Statements.

Debt As of June 30th	FY 2019	FY 2018	Change
Certificates of Participation	$ 36,150,000	$ 37,565,000	$ (1,415,000)
Total Debt	**$ 36,150,000**	**$ 37,565,000**	**$ (1,415,000)**

Economic Factors That May Affect the Future

Perhaps the greatest impact on enrollment for colleges in general, and technical colleges in particular, is the local economy. Washington State's economy consistently ranks in the top ten of all states and was ranked #1 overall this year by US News and World Report. The state's unemployment rate of 4.5% is slightly higher than the national average of 3.6% but this still indicates that most people are not actively trying to increase their job skills in the marketplace. Pierce County's unemployment rate is a bit higher at 5.2%, but this is the lowest unemployment rate in the County since 1999.

It is unclear how long the strong economies of the State and the County will continue, but historically at least mild business recessions do occur periodically. Most economists predict that this will happen during the next few years, but few expect this in the short run. During recessionary times, colleges have seen increased enrollments, but a less healthy state budget as state revenues typically decline during recessions.

Of particular importance to the college is the prioritization of higher education by the state legislature. The legislature has recently prioritized K-12 education and has funded some higher education ventures such as guided pathways and nursing education. It is expected that high demand programs will be prioritized during the upcoming supplemental budget.

Clover Park Technical College

Statement of Net Position

June 30, 2019

Assets	
Current assets	
Cash and cash equivalents	$ 25,735,497
Restricted cash	39,209
Accounts receivable, net	10,404,557
Inventories	98,971
Total current assets	36,278,234
Non-Current Assets	
Other (INVISTA)	656,524
Non depreciable capital assets	48,590,968
Capital assets, net of depreciation	72,918,528
Total non-current assets	122,166,020
Total Assets	**158,444,254**
Deferred Outflows of Resources - Related to Pensions	
Deferred outflows of resources related to pensions	1,617,749
Deferred outflows of resources related to OPEB	688,876
Total Deferred Outflows of Resources	2,306,625
Liabilities	
Current Liabilities	
Accounts payable	2,175,899
Accrued liabilities	1,819,209
Compensated absences, short-term	762,934
Deposits payable	39,209
Unearned revenue	2,647,283
Certificates of participation payable, short-term	1,705,000
Total Pension liability, short-term	45,721
Total OPEB liability, short-term	237,589
Total current liabilities	9,432,844
Noncurrent Liabilities	
Compensated absences, long-term	1,005,617
Certificates of participation payable, long-term	34,445,000
Net pension liability	3,380,701
Total pension liability, long-term	2,179,951
Total OPEB liability, long-term	12,702,231
Total non-current liabilities	53,713,500
Total Liabilities	**63,146,344**
Deferred Inflow of Resources - Related to Pensions	
Deferred inflows of resources related to pensions	2,364,365
Deferred inflows of resources related to OPEB	6,742,370
Total Deferred Inflows of Resources	9,106,735
Net Position	
Net investment in capital assets	85,359,497
Restricted for:	
Expendable - Institutional financial aid	978,804
Unrestricted	2,159,499
Total Net Position	**$ 88,497,800**

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, 2019

Operating Revenues		
Student tuition and fees, net		$ 7,640,923
Auxiliary enterprise sales		1,032,981
State and local grants and contracts		5,582,818
Federal grants and contracts		768,392
Other operating revenues		2,035,489
Interest on past due receivables		4,693
	Total Operating Revenue	**17,065,296**
Operating Expenses		
Salaries and wages		21,008,855
Benefits		6,637,368
Scholarships and fellowships		4,788,896
Supplies and materials		1,192,959
Depreciation		3,031,326
Purchased services		1,021,067
Utilities		999,109
Non capitalized assets		901,140
Repairs and maintenance		2,289,095
Other operating expense		2,556,721
	Total Operating Expenses	**44,426,537**
	Operating Income (Loss)	**(27,361,241)**
Non-Operating Revenues (Expenses)		
State appropriations		23,985,086
Federal Pell grant revenue		6,503,174
Interest income		893,437
Building fee remittance		(1,081,427)
Innovation fund remittance		(280,314)
Interest on indebtedness		(2,054,403)
	Net Non-Operating Revenues (Expenses)	**27,965,555**
Income or (loss) before capital contributions		604,314
Capital Contributions		
Capital appropriations		2,465,994
Equipment donation - Foundation		68,250
	Total Capital Contributions	2,534,244
	Increase (Decrease) in Net Position	**3,138,558**
Net Position		
Net position, beginning of year		85,359,242
Net position, end of year		**$ 88,497,800**

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, 2019

Cash flow from operating activities	
Student tuition and fees	7,719,417
Grants and contracts	6,506,752
Payments to vendors	(7,294,676)
Payments for utilities	(1,066,507)
Payments to employees	(20,934,825)
Payments for benefits	(7,459,569)
Auxiliary enterprise sales	1,045,248
Payments for scholarships and fellowships	(4,788,896)
Other receipts	1,830,041
Net cash used by operating activities	(24,443,015)
Cash flow from noncapital financing activities	
State appropriations	20,997,862
Pell grants	6,503,175
Building fee remittance	(1,081,427)
Innovation fund remittance	(280,314)
Other nonoperating expense	(853,564)
Net cash provided by noncapital financing activities	25,285,732
Cash flow from capital and related financing activities	
Proceeds from capital debt	30,803,583
Capital appropriations	2,465,994
Purchases of capital assets	(29,897,910)
Principal paid on debt	(1,415,000)
Interest paid	(2,097,055)
Net cash used by capital and related financing activities	(140,388)
Cash flow from investing activities	
Interest income	495,120
Net cash provided by investing activities	495,120
Increase (decrease) in cash and cash equivalents	1,197,449
Cash and cash equivalents at the beginning of the year	24,577,257
Cash and cash equivalents at the end of the year	$ 25,774,706

(Continued on next page)

Clover Park Technical College

Statement of Cash Flows

For the year ended June 30, 2019

(Continued from previous page)

Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	$ (27,361,241)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	3,031,326
Changes in assets and liabilities	
Receivables , net	(130,171)
Inventories	(19,362)
Other assets	(39,000)
Accounts payable	449,269
Accrued liabilities	301,498
Unearned revenue	238,986
Compensated absences	(24,235)
Pension and OPEB liability adjustment expense	(856,432)
Deposits payable	(33,653)
Net cash used by operating activities	$ (24,443,015)
Non Cash Transactions	
Non capital donations - Foundation	$ 68,250

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

Clover Park Technical College Foundation
Statement of Financial Position
December 31, 2018

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	436,229
Accounts receivable		628
Current portion of pledges receivables		2,500
Prepaid expenses		1,064
Total Current Assets		440,421
OTHER ASSETS		
Pledges receivable, net of current portion and allowance and allowance for uncollectible pledges		75,000
Assets held in charitable remainder trust		55,935
Donated goods inventory		118,985
Cash restricted to endowment		22,795
Investments - long-term		1,009,021
Total Other Assets		1,281,736
Total Assets	$	1,722,157
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$	8,797
Total Current Liabilities		8,797
LIABILITY UNDER TRUST AGREEMENT		27,984
Total Liabilities		36,781
NET ASSETS		
Unrestricted:		
Undesignated		72,813
Board designated		131,850
Total Unrestricted		204,663
Net assets with donor restrictions		1,480,713
Total Net Assets		1,685,376
Total Liabilities and Net Assets	$	1,722,157

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS			
Public support -			
Contributions	$ 77,106	$ 161,929	$ 239,035
Donated goods and services	419,545	-	419,545
Investment income (loss), net	922	(84,809)	(83,887)
Total Support and Revenue	497,573	77,120	574,693
Net assets released from restrictions and reclassifications	134,552	(134,552)	-
Total Support, Revenue and Reclassifications	632,125	(57,432)	574,693
EXPENSES			
Program services:			
Scholarships and grants	109,050	-	109,050
Program specific support	250,319	-	250,319
Total Program Services	359,369	-	359,369
Supporting services:			
General and administrative	125,792		125,792
Fundraising	48,768	-	48,768
Total Supporting Services	174,560	-	174,560
Total Expenses	533,929	-	533,929
Change in Net Assets	98,196	(57,432)	40,764
Net assets - Beginning of Year	106,467	1,538,145	1,644,612
Net assets - End of Year	$ 204,663	$1,480,713	$1,685,376

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 $359,369 and $334,551 during the years ended December 31, 2018 and 2017, 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 and cash equivalents at fair value. Investments in the state's Local Government Investment Pool (LGIP), a qualified external investment pool, are reported at amortized cost which approximates fair value.

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, 2019, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. Unearned revenues also include tuition and fees paid with financial aid funds. The College has recorded 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.

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 Total 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.

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.

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

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, 2019 were $6,443,657.

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 Standards Impacting the Future

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

2. Deposits and Investments

Cash and cash equivalents include bank demand deposits, petty cash held at the College, and unit shares in the Local Government Investment Pool (LGIP). Investments of surplus or pooled cash balances are 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 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, 2019, the carrying amount of the College's cash and cash equivalents was $25,774,707 as represented in the table below:

Cash and Cash Equivalents		Amount
Petty cash and change funds	$	6,755
Deposits in transit	$	11,490
Bank demand		8,891,529
Local government investment pool		16,864,932
Total Cash and Cash Equivalents	**$**	**25,774,707**

Unrestricted Cash	$	25,735,497
Restricted Cash	$	39,209

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, 2019, 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, 2019 were $1,124.

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, 2019, the College did not hold investments other than the LGIP which is not subject to the fair value hierarchy. The Foundation held $1,064,956 in investments at December 31, 2018. $1,009,021 of these assets are considered Level 1 investments and are held at their estimated fair value, while the remaining $55,935 are held in the charitable remainder trust and are considered Level 3 investments.

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, 2019, accounts receivable were as follows:

Accounts Receivable	**Amount**
Student Tuition and Fees	$ 1,501,237
Due from the Federal Government	242,160
Due from Office of the State Treasurer (OST):	
Vendor Payment Advance (VPA)	3,009,375
Unspent Proceeds from Certificates of Participation	5,139,074
Due from Other State Agencies	306,735
Due from Other Governments	319,341
Auxiliary Enterprises	126,804
Unbilled Tuition	1,184,958
Other	452
Subtotal	11,830,136
Less Allowance for Uncollectible Accounts	(1,425,579)
Accounts Receivable, net	$ 10,404,557

4. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2019 is presented as follows:

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	$ 12,833,914	$ 500,000	$ -	$ 13,333,914
Construction in progress	8,362,770	28,015,553	(1,121,268)	35,257,055
Total nondepreciable capital assets	21,196,684	28,515,553	(1,121,268)	48,590,969
Depreciable capital assets				
Buildings	102,631,888	1,147,626	-	103,779,514
Other improvements and infrastructure	744,374		-	744,374
Equipment	10,708,238	470,463	(19,571)	11,159,128
Library resources	1,759,658	18,389	(4,923)	1,773,124
Subtotal depreciable capital assets	115,844,158	1,636,478	(24,494)	117,456,140
Less accumulated depreciation				
Buildings	32,877,267	2,069,968	-	34,947,235
Other improvements and infrastructure	116,374	24,813	-	141,187
Equipment	6,825,948	921,236	(19,571)	7,727,612
Library resources	1,711,193	15,309	(4,923)	1,721,578
Total accumulated depreciation	41,530,782	3,031,326	(24,494)	44,537,612
Total depreciable capital assets	74,313,376	(1,394,848)	-	72,918,528
Capital assets, net of accumulated depreciation	**$ 95,510,060**	**$ 27,120,705**	**$ (1,121,268)**	**$ 121,509,497**

The current year depreciation expense was $3,031,326.

5. Accounts Payable and Accrued Liabilities

At June 30, 2019, accrued liabilities are the following:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 1,117,337
Accounts Payable	2,175,899
Accrued Interest	150,625
Other Accrued Liabilities	551,247
Total Accounts Payable and Accrued Liabilities	**$ 3,995,108**

6. 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	$ 2,205,933
Rental Income	441,350
Total Unearned Revenue	**$ 2,647,283**

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.

7. 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, 2019, the change in net position was $39,000 and total net position was $656,524. 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.

8. 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, 2018 through June 30, 2019, were $90,513.

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.

9. 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 $865,017, accrued sick leave totaled $901,178, and comp time totaled $2,356 at June 30, 2019.

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.

10. 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 11.

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 charged is 3.43%.

11. Annual Debt Service Requirements

Future debt service requirements at June 30, 2019 are as follows:

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
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	2,070,000	1,440,750	3,510,750
2025-2029	8,870,000	5,696,000	14,566,000
2030-2034	8,955,000	3,616,750	12,571,750
2035-2038	8,920,000	1,142,000	10,062,000
Total	**$ 36,150,000**	**$ 18,597,000**	**$ 54,747,000**

12. Schedule of Long Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Certificates of Participation	$ 37,565,000	$ -	$ 1,415,000	$ 36,150,000	$ 1,705,000
Compensated Absences	1,792,786	1,172,723	1,196,958	1,768,551	762,934
Pension Liability	6,844,530		1,238,157	5,606,373	45,721
OPEB Liability	15,629,461		2,689,641	12,939,820	237,589
Total	$ 61,831,777	$ 1,172,723	$ 6,539,756	$ 56,464,744	$ 2,751,244

13. Retirement Plans

A. General

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

Basis of Accounting

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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 GASB Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities. The College has elected to use the current fiscal year end as the measurement date for reporting pension liabilities for the Higher Education Supplemental Retirement Plan.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statements No. 68 and No. 73 for the College, for fiscal year 2019:

Aggregate Pension Amounts - All Plans	Total
Pension liabilities	$ (5,606,373)
Deferred outflows of resources related to pensions	$ 1,617,749
Deferred inflows of resources related to pensions	$ (2,364,365)
Pension expense	$ (53,853)

Department of Retirement Systems

As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems are comprised of 12 defined benefit pension plans and 3 defined benefit/ defined contribution plans. Below are the DRS plans that the College participates in:

- Public Employees' Retirement System (PERS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution
- Teachers' Retirement System (TRS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS and TRS plans is funded by an employer rate of 0.18 percent of employee salaries.

Pursuant to RCW 41.50.770, the College offers its employees that elect to participate a deferred compensation program in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable financial emergency. This deferred compensation plan is administered by the DRS.

The DRS prepares a stand-alone financial report that is compliant with the requirements of GASB Statement No. 67. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, WA 98504-8380 or online at http://www.drs.wa.gov/administration/annual-report.

Higher Education

As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (funded on a pay-as-you-go basis) which is administered by the state.

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

PERS

Plan Description

The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme Court, Court of Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

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

Benefits Provided

PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.
PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

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

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

Contributions

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS covered employment.

TRS

Plan Description

The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

TRS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996, are members of TRS Plan 3. Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Benefits Provided

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

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

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

TRS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months. TRS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months. TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44. TRS Plan 3 members have the option to retire early with reduced benefits.

TRS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

Contributions

PERS and TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in PERS or TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS or TRS-covered employment.

The employer contribution rates (expressed as a percentage of covered payroll) and actual contributions for the year ended June 30, 2019 were as follows:

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rate	12.83%	12.83%	15.41%	15.41%
Actual Contributions	$ 328,015	$ 493,817	$ 116,812	$ 127,427

*Plan 2/3 employer rate includes a component to address the Plan 1 unfunded actuarial accrued liability.

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%

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

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

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

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The Office of the State Actuary (OSA) selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
Total	100%	

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

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate

The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 and TRS Plan 2/3, employers whose rates include a component for the 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 7.40 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate
The following presents the net pension liability of the College calculated using the discount rate of 7.40 percent, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.40 percent) or 1-percentage-point higher (8.40 percent) than the current rate:

Pension Plan	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS Plan 1	$ 2,319,705	$ 1,887,570	$ 1,513,253
PERS Plan 2/3	$ 4,166,573	$ 910,920	$ (1,758,351)
TRS Plan 1	$ 629,079	$ 503,306	$ 394,422
TRS Plan 2/3	$ 491,793	$ 78,905	$ (256,504)

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

Pension Liabilities
At June 30, 2019, the College reported a total pension liability of $3,380,701 for its proportionate share of the net pension liabilities as follows:

Pension Plan	Total
PERS 1	$ 1,887,570
PERS 2/3	910,920
TRS 1	503,306
TRS 2/3	78,905

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

Pension Plan	2017	2018	Change
PERS 1	0.049398%	0.042265%	-0.007133%
PERS 2/3	0.060625%	0.053351%	-0.007274%
TRS 1	0.015598%	0.017233%	0.001635%
TRS 2/3	0.015979%	0.017530%	0.001551%

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

Pension Expense

For the year ended June 30, 2019 the College recognized pension expense as follows:

Pension Expense		Total
PERS 1	$	(183,666)
PERS 2/3		(52,477)
TRS 1		105,754
TRS 2/3		47,313
Total	**$**	**(83,076)**

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2019:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 111,655	$ 159,486
Difference between expected and actual earnings of pension plan investments	-	75,011	-	558,983
Changes of Assumptions	-	-	10,656	259,241
Changes in College's proportionate share of pension liabilities	-	-	20,317	406,781
Contributions to pension plans after measurement date	328,015	-	493,817	-
	$ 328,015	**$ 75,011**	**$ 636,445**	**$ 1,384,491**

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 37,080	$ 5,826
Difference between expected and actual earnings of pension plan investments	-	21,523	-	66,733
Changes of Assumptions	-	-	1,342	31,709
Changes in College's proportionate share of pension liabilities	-	-	44,015	987
Contributions to pension plans after measurement date	116,812	-	127,427	-
	$ 116,812	**$ 21,523**	**$ 209,864**	**$ 105,255**

The $1,066,071 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, 2020.

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

Year ended June 30	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2020	$ 3,282	$ (142,850)	$ 2,154	$ 8,418
2021	(16,398)	(251,056)	(4,456)	(4,291)
2022	(49,205)	(410,231)	(15,305)	(29,720)
2023	(12,690)	(194,782)	(3,916)	(6,602)
2024	-	(114,978)	-	2,791
Thereafter	-	(127,966)	-	6,586
Total	**$ (75,011)**	**$ (1,241,863)**	**$ (21,523)**	**$ (22,818)**

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

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

Plan Description.

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2019 were each $1,011,026.85.

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, 2019, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of $1,818,361. The College's share of this amount was $36,663. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2019, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $23,546,168. 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, 2019, the Community and Technical College system accounted for $19,733,342 of the fund balance.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, with the results rolled forward to the June 30, 2019, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases 3.50%-4.25%
Fixed Income and Variable Income Investment Returns* 4.25%-6.50%

**Measurement reflects actual investment returns through June 30, 2018*

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

Most actuarial assumptions used in the June 30, 2018, valuation were based on the results of the April 2016 Supplemental Plan Experience Study. Additional assumptions related to the fixed income and variable income investments were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material assumption changes during the measurement period include the discount rate decrease from 3.87 percent to 3.50 percent.

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

Pension Expense
Pension expense for the year ended June 30, 2019 was $29,223.

Proportionate Share (%)		**2.01628%**
Service Cost	$	57,493
Interest		69,543
Amortization of Differences Between Expected and Actual Experience		(75,716)
Amortization of Changes of Assumptions		8,582
Changes of Benefit Terms		-
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		**59,902**
Amortization of the Change in Proportionate Share of TPL		(30,679)
Total Pension Expense	**$**	**29,223**

Proportionate Shares of Pension Liabilities

The College’s proportionate share of pension liabilities for fiscal year ending June 30, 2019 was 2.02%. The College’s proportion of the total pension liability was based on a projection of the College’s long-term share of contributions to the pension plan to the projected contributions of all participating College’s. The College’s change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Proportionate Share (%) 2018		**2.04%**
Proportionate Share (%) 2019		**2.02%**
Total Pension Liability - Ending 2018	$	1,775,081
Total Pension Liability - Beginning 2019		1,757,653
Total Pension Liability - Change in Proportion		(17,428)
Total Deferred Inflow/Outflows - 2018		717,909
Total Deferred Inflow/Outflows - 2019		710,860
Total Deferred Inflows/Outflows - Change in Proportion		(7,049)
Total Change in Proportion	**$**	**(24,477)**

Plan Membership

Membership of the State Board Supplemental Retirement Plans consisted of the following at June 30, 2018, 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	12	102	116

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, 2019, the latest measurement date for all plans:

Total Pension Liability		Amount
Service Cost	$	57,493
Interest		69,543
Changes of benefit terms		-
Differences between expected and actual experience		131,114
Changes of assumptions		246,532
Benefit payments		(36,663)
Change in proportionate share of TPL		(17,428)
Net Change In Total Pension Liability		450,591
Total Pension Liability - Beginning		1,775,081
Total Pension Liability - Ending	$	2,225,672

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 3.50 percent, as well as what the employers' total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

Total Pension Liability/(Asset)	1% Decrease	Current Discount Rate	1% Increase
State Board for Community and Technical Colleges (SBCTC) - SBRP	$ 2,543,155	$ 2,225,672	$ 1,962,043

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

At June 30, 2019, 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	$ 113,396	$ 466,500
Changes of Assumptions	213,217	126,187
Changes in College's proportionate share of pension liability	-	185,398
Transactions subsequent to the measurement date	-	-
	$ 326,613	**$ 778,085**

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	
2020	$ (97,813)
2021	(97,813)
2022	(97,813)
2023	(97,813)
2024	(64,580)
Thereafter	4,360
Total	**$ (451,472)**

14. Other Post-Employment Benefits

Plan Description

In addition to pension benefits as described in Note 13, the College, through the Health Care Authority (HCA), administers a single employer defined benefit other postemployment benefit (OPEB) plan. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

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

The PEBB OPEB plan is administered by the state and is funded on a pay-as-you-go basis. In the state CAFR the plan is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and 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, 2018	
Active Employees	312
Retirees Receiving Benefits*	80
Retirees Not Receiving Benefits**	15
Total Active Employees and Retirees	407

*Reflects active employees eligible for PEBB program participation as of June 30, 2018.

**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.

***This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

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

Benefits Provided

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2017, the average weighted implicit subsidy was valued at $327 per adult unit per month, and in calendar year 2018, the average weighted implicit subsidy was valued at $347 per adult unit per month. In calendar year 2019, the average weighted implicit subsidy is projected to be $368 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the State Legislature. In calendar year 2017, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar years 2018. This was increased in calendar year 2019 up to $168 per member per month. It is projected to increase to $183 per member per month in calendar year 2020.

Contribution Information

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

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

The estimated monthly cost for PEBB benefits for the reporting period for each active employee (average across all plans and tiers) is as follows (expressed in dollars):

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

*Per 2019 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2019 which includes projected claims cost at the time of this reporting.

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

Total OPEB Liability

As of June 30, 2019, the state reported a total OPEB liability of $5.08 billion. The College's proportionate share of the total OPEB liability is $12,939,820. This liability was determined based on a measurement date of June 30, 2018.

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.75%
Projected Salary Changes	3.50% Plus Service-Based Salary Increases
Health Care Trend Rates*	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 8%, reaching an ultimate rate of approximately 4.5% in 2080
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

In projecting the growth of the explicit subsidy, after 2020 when the cap is $183, it is assumed to grow at the health care trend rates. The Legislature determines the value of the cap and no future increases are guaranteed; however, based on historical growth patterns, future increases to the cap are assumed.

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

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

Actuarial Methodology

The total OPEB liability was determined using the following methodologies:

Actuarial Valuation Date	6/30/2018
Actuarial Measurement Date	6/30/2018
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

Discount Rate

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.58 percent for the June 30, 2017 measurement date and 3.87 percent for the June 30, 2018 measurement date.

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

Changes in Total OPEB Liability

As of June 30, 2019, components of the calculation of total OPEB lability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

Clover Park Technical College		
Proportionate Share (%)		**0.2547893956%**
Service Cost	$	809,018
Interest Cost		556,195
Differences Between Expected and Actual Experience		507,698
Changes in Assumptions*		(3,541,760)
Changes of Benefit Terms		-
Benefit Payments		(234,909)
Changes in Proportionate Share		(785,883)
Other		-
Net Change in Total OPEB Liability		(2,689,641)
Total OPEB Liability - Beginning		15,629,461
Total OPEB Liability - Ending	**$**	**12,939,820**

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

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

Discount Rate Sensitivity		
1% Decrease	**Current Discount Rate**	**1% Increase**
$15,602,380	$12,939,820	$10,862,446

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the College, calculated using the health care trend rates of 8.00 percent decreasing to 4.50 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (7.00 percent decreasing to 3.50 percent) or 1 percentage point higher (9.0 percent decreasing to 5.50 percent than the current rate:

Health Care Cost Trend Rate Sensitivity		
1% Decrease	**Current Discount Rate**	**1% Increase**
$10,622,338	$12,939,820	$16,021,630

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

For the year ending June 30, 2019, the College will recognize OPEB expense of $528,640. OPEB expense consists of the following elements:

Clover Park Technical College		
Proportionate Share (%)		**0.2547893956%**
Service Cost	$	809,018
Interest Cost		556,195
Amortization of Differences Between Expected and Actual Experience		56,411
Amortization of Changes in Assumptions		(649,007)
Changes of Benefit Terms		-
Amortization of Changes in Proportionate Share		(243,977)
Administrative Expenses		-
Total OPEB Expense		**528,640**

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

Clover Park Technical College		
Proportionate Share (%)	**0.2547893956%**	
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience	$ -	$ 451,287
Changes in assumptions	4,936,574	-
Transactions subsequent to the measurement date	-	237,589
Changes in proportion	1,805,796	-
Total Deferred Inflows/Outflows	**$ 6,742,370**	**$ 688,876**

Amounts reported as deferred outflow of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

Clover Park Technical College	
Proportionate Share (%)	**0.2547893956%**
2020	$ (836,572)
2021	$ (836,572)
2022	$ (836,572)
2023	$ (836,572)
2024	$ (836,572)
Thereafter	$ (2,108,223)
Total	**$ (6,291,083)**

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 (%) 2017		**0.2682790426%**
Proportionate Share (%) 2018		**0.2547893956%**
Total OPEB Liability - Ending 2017	$	15,629,461
Total OPEB Liability - Beginning 2018		14,843,578
Total OPEB Liability Change in Proportion		(785,883)
Total Deferred Inflows/Outflows - 2017		(1,904,682)
Total Deferred Inflows/Outflows - 2018		(1,808,911)
Total Deferred Inflows/Outflows Change in Proportion		95,771
Total Change in Proportion	**$**	**(881,654)**

15. 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, 2019:

Expenses by Functional Classification	Amount
Instruction	15,637,870
Academic Support Services	4,113,344
Student Services	5,699,432
Institutional Support	5,764,196
Operations and Maintenance of Plant	3,744,115
Scholarships and Other Student Financial Aid	4,788,896
Auxiliary enterprises	1,647,357
Depreciation	3,031,326
Total Operating Expense	44,426,537

16. 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 2019 totaled $101,850. See Footnote 6 for unearned income related to this agreement. The future minimum lease payments are as follows:

Fiscal Year	Amount
2020	$ 101,850
2021	101,850
2022	101,850
2023	101,850
2024	101,850
Thereafter	203,700
Total	**$ 712,950**

17. Commitments and Contingencies

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

The College has commitments of $675,914 for the completion of the Center for Advanced Manufacturing Technologies building. Construction is expected to be finished in FY 2020.

18. Subsequent Events

At the end of February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, and limiting gathering sizes.

Management is making decisions about services and class offerings every day which will have a financial impact on the College. Marginal expenses due to the virus are being tracked in the hopes of ultimately receiving federal or state relief for a portion of the expenses. As of this writing, the College has committed to at least $250,000 in direct expenses. However, if further restrictions are placed that would limit or cancel one of the next two terms, the loss of revenue could be in the millions of dollars. Additional expenses for salaries and benefits currently being imposed by the federal government will also be in the millions of dollars, with no clear funding being proposed to offset these losses.

In addition, the loss of state revenues as a result of this emergency situation will very likely negatively affect the future state allocation, on which the College relies for up to 70% of its funding. The financial impact of state funding is unknown at this time. The length of time these measures will be in place, and the full extent of the financial impact on the College cannot be determined at this time.

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	0.042265%	$ 1,887,570	$ 6,417,992	29.41%	63.22%
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	0.053351%	$ 910,920	$ 6,417,992	14.19%	95.77%
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	0.017233%	$ 503,306	$ 1,595,360	31.55%	66.52%
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	0.017530%	$ 78,905	$ 1,595,360	4.95%	96.88%
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	$ 328,015	$ 328,015	$ -	$ 6,417,992	5.11%
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	$ 493,817	$ 493,817	$ -	$ 6,417,992	7.69%
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	$ 116,812	$ 116,812	$ -	$ 1,595,360	7.32%
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	$ 127,427	$ 127,427	$ -	$ 1,595,360	7.99%
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**	**2019**
Total Pension Liability			
Service cost	$ 120,008	$ 77,928	$ 57,493
Interest	77,849	71,617	69,543
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(561,293)	(211,813)	131,114
Changes of assumptions	(132,481)	(71,656)	246,532
Benefit payments	(19,983)	(26,472)	(36,663)
Change in proprtionate share of TPL	-	(170,257)	(17,428)
Net Change in Total Pension Liability	**(515,900)**	**(330,653)**	**450,591**
Total Pension Liability - Beginning	**2,621,634**	**2,105,734**	**1,775,081**
Total Pension Liability - Ending	**$ 2,105,734**	**$ 1,775,081**	**$ 2,225,672**
College's Proportion of the Pension Liability	2.215397%	2.036274%	2.016281%
College's Covered payroll	$ 23,991,956	$ 22,552,838	$ 23,546,168
Total Pension Liability as a percentage of covered-employee payroll	8.776833%	7.870766%	9.452375%

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	2019
Service cost	$ 1,059,582	$ 809,018
Interest cost	496,315	556,195
Difference between expected and actual experience	-	507,698
Changes in assumptions	(2,421,032)	(3,541,760)
Changes in beneft terms	-	-
Benefit payments	(252,930)	(234,909)
Changes in proportionate share	(1,334,286)	(785,883)
Other	-	-
Net Change in Total Pension Liability	**(2,452,351)**	**(2,689,641)**
Total Pension Liability - Beginning	**18,081,812**	**15,629,461**
Total Pension Liability - Ending	**$ 15,629,461**	**$12,939,820**
College's Proportion of the Pension Liability	0.268279%	0.254789%
College's Covered payroll	$ 18,315,200	$ 16,747,526
Total Pension Liability as a percentage of covered-employee payroll	85.336011%	77.264069%

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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