Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Seattle Colleges

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

Published March 28, 2019

Report No. 1023488

Office of the Washington State Auditor
Pat McCarthy

March 28, 2019

Board of Trustees
Seattle Colleges
Seattle, Washington

Report on Financial Statements

Please find attached our report on the Seattle Colleges financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2018-001 The College did not include all foundation information, which resulted in an incomplete set of financial statements in accordance with governmental accounting standards.

Description of Condition

The College works with four separate nonprofit organizations (foundations) that engage in fundraising activities on its behalf. Due to their size the foundations are considered significant component units of the College and accounting standards require their financial information to be included in the College's financial statements.

Our audit found the College did not include financial information for two of the four foundations in its financial statements.

Cause of Condition

During the period under audit, the foundations were in the process of merging to form a single foundation. Due to the upcoming merger, two of the foundations chose not to produce financial statements for fiscal year 2018.

Effect of Condition

The financial statements do not include financial activities for two of the four foundations. This activity represents a significant source of resources that are available to support college activities.

Recommendation

We recommend the College continue to work with all its foundations to prepare audited financial statements and report that information within its own financial statements in future periods.

College's Response

Seattle Colleges agrees with the auditor's recommendation and takes the audit finding seriously. Going forward, Seattle Colleges will work with its foundations to conduct annual audits. Audited financial statements of the foundations will be properly prepared and reported within the colleges' own financial statement in future years.

During 2017-2018 and at the request of the Seattle Colleges Board of Trustees, the district chancellor and the advancement team worked together with the college presidents and representatives from each college foundation board of directors to create a new foundation to serve all the colleges and specialty centers of Seattle Colleges. Efforts focused primarily on unifying structures, streamlining processes, and consolidating resources; coordinating with North, Central, and South foundation volunteers and board directors; and aligning gift solicitation and award disbursement processes districtwide.

In April of 2018, a new nonprofit foundation called Seattle Colleges Foundation was officially launched. In fiscal year 2019, the foundations of North and Central decided to merge with this new foundation. South's foundation chose to become independent from Seattle Colleges but continues to support students and programs at South. The district's existing Foundation for the Seattle Colleges will continue to exist for a finite number of years, for the specific purpose of managing the Pacific Medical Tower project only.

Because of the work involved in creating a new foundation and the complexity of transitioning four separate foundations and merging two immediately into the new the foundation, these two former college foundation boards made a business decision to forego the financial statement audit for this fiscal year.

Auditor's Remarks

We appreciate the College's commitment to resolve this finding and thank the College for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*

Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*

The American Institute of Certified Public Accountants Codification §265, *Communicating Internal Control Related Matters Identified in an Audit*

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*

Seattle Colleges
July 1, 2017 through June 30, 2018

Board of Trustees
Seattle Colleges
Seattle, 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 of the Seattle Colleges (College), as of and for the year ended June 30, 2018, and the related notes to the financial statements. These financial statements collectively comprise the College's basic financial statements, and we have issued our report thereon dated March 22, 2019.

We were not engaged to audit the financial statements of the aggregate discretely presented component units. Additionally, the College did not report the North Seattle College Education Fund and the Central Seattle Community College Foundation, whose financial information is required to be included in the College's financial report as aggregate discretely presented component units. Accordingly, our report was modified to reflect an adverse opinion on the fair presentation of the financial statements of the aggregate discretely presented component units for this departure from accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, during the year ended June 30, 2018, the College implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. In addition, as discussed in Note 2 and Note 19 to the financial statements, since the last audited financial statements, the College implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

As discussed in Note 21 to the financial statements, in 2018, the College discontinued reporting North Seattle Community College Foundation as part of its reporting entity. Our opinion is not modified with respect to this matter.

The financial statements of the Seattle Colleges, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2018, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2018-001 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

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

COLLEGE'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

March 22, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Seattle Colleges
July 1, 2017 through June 30, 2018

Board of Trustees
Seattle Colleges
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities of the Seattle Colleges (College), as of and for the year ended June 30, 2018, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the College's basic financial statements as listed on page 13.

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

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The College works with four separate nonprofit organizations (foundations) that engage in fundraising activities on its behalf. Accounting principles generally accepted in the United States of America require these foundations' financial information to be included in the College's financial statements. We were not engaged to audit the foundations' financial statements as part of our audit of the College's basic financial statements. Additionally, as discussed in Note 1, the financial statements do not include the assets, liabilities, net position, revenues and expenses for the North Seattle College Education Fund and the Central Seattle Community College Foundation. We were unable to quantify the effect of the omission because the unreported foundations did not prepare financial statements. However, the effect of this omission is presumed to be material.

Adverse Opinion on the Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of Seattle Colleges, as of June 30, 2018, or the changes in financial position or cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Seattle Colleges, as of June 30, 2018, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

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

As discussed in Note 2 and Note 19 to the financial statements, since the last financial statement audit, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

As discussed in Note 21 to the financial statements, in 2018, the College discontinued reporting North Seattle Community College Foundation as part of its reporting entity. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the Seattle Colleges, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2018, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

March 22, 2019

FINANCIAL SECTION

Seattle Colleges
July 1, 2017 through June 30, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

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Statement of Revenues, Expenses and Changes in Net Position – 2018
Statement of Cash Flows – 2018
Foundation for the Seattle Colleges – Consolidated Statements of Financial Position – 2017 and 2016
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Schedule of Contributions – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2018
Schedule of Changes in the Total Pension Liability and Related Ratios – State Board Supplemental Retirement Plans – 2018
Schedule of Changes in Total OPEB Liability and Related Ratios – 2018

Management’s Discussion and Analysis

Seattle Colleges

The following discussion and analysis provides an overview of the financial position and activities of Seattle Colleges for the fiscal year ended June 30, 2018 (FY 2018). This overview provides readers with an objective and easily readable analysis of the Colleges’ 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 Colleges’ financial statements and accompanying note disclosures.

Using the Financial Statements

The financial statements presented in this report encompass the entirety of Seattle Colleges. The Colleges’ 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 Colleges as of June 30, 2018. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the colleges’ financial condition.

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 Colleges’ 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 Colleges’ activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

During 2018, the Colleges implemented GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB).* This Statement requires the Colleges to recognize its proportionate share of the state’s actuarially determined OPEB liability with a one-year lag measurement date similar to GASB Statement No. 68. The change in accounting principle resulted in an adjustment to beginning net position in the amount of $85,879,924.

Statement of Net Position

The Statement of Net Position provides information about the Colleges’ financial position and presents the Colleges’ assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Colleges as of the end of the fiscal year. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position
As of June 30th

	2018	2017 (unaudited)
Assets		
Current Assets	$ 66,504,268	$ 66,594,858
Capital Assets, net	216,984,486	218,799,097
Other Assets, non-current	39,188,184	44,714,566
Total Assets	**322,676,938**	**330,108,521**
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	5,630,838	7,556,555
Deferred Outflows Related to OPEB	1,209,829	-
Total Deferred Outflows	**6,840,667**	**7,556,555**
Liabilities		
Current Liabilities	33,621,517	25,808,653
Other Liabilities, non-current	114,058,164	53,177,656
Total Liabilities	**147,679,681**	**78,986,309**
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	7,884,097	3,451,166
Deferred Inflows Related to OPEB	15,149,123	-
Total Deferred Inflows	**23,033,220**	**3,451,166**
Net Position		
Net Investment in Capital Assets	210,394,486	209,808,506
Restricted	1,738,629	1,977,769
Unrestricted	(53,328,412)	43,441,326
Total Net Position	**$ 158,804,703**	**$ 255,227,601**

Capital assets net of depreciation decreased by $1,814,611 from FY 2017 to FY 2018. The decrease is primarily the result of current depreciation expense of $7,895,688 which was partially offset by ongoing acquisitions of equipment and improvements to buildings.

Non-current assets consist primarily of the long-term portion of certain investments. Bonds with maturities greater than one year are considered long-term.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated with the implementation of GASB Statement No. 68 in FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018. The decrease in deferred outflows reflect the Colleges' proportionate share of a decrease in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority

(HCA) due to differences between expected and actual experience related to the actuarial assumptions. The Colleges recorded $7,556,555 in FY 2017 and $6,840,666 in FY 2018 of pension and postemployment-related deferred outflows. The decrease reflects the change in proportionate share.

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

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, unearned revenue and the current portion of OPEB liability. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements.

The increase in current liabilities is primarily due to the implementation of GASB Statement 75 which requires the recording of the Colleges' proportionate share of the short term postemployment benefit liability for the state's OPEB.

The Colleges' significant non-current liabilities increased primarily due to the implementation of GASB Statement 75, reflecting the Colleges' proportionate share of the non-current postemployment benefit liability for the state's OPEB.

Net position represents the value of the Colleges' assets and deferred outflows after liabilities and deferred inflows are deducted. Accounting standards require the Colleges to report net position in four categories:

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

Restricted:

Nonexpendable – consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for spending but for investment purposes only. Historically, donors interested in establishing such funds to benefit the Colleges or its students have chosen to do so through the Foundation. As a result, the Colleges are not reporting any balance in this category.

Expendable – resources that the Colleges are 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 Colleges are institutional financial aid funds.

Unrestricted – Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

As stated earlier in this section, the Colleges' net position was adjusted by $85,879,924 due to the implementation of GASB 75. Also during FY 2018, the remaining Perkins student loans were assigned to the Department of Education and the program was discontinued.

Net Position As of June 30th	FY 2018	FY 2017 (unaudited)
Net investment in capital assets	210,394,486	209,808,506
Restricted		
Expendable	1,738,629	1,591,312
Student Loans	-	386,457
Unrestricted	(53,328,412)	43,441,326
Total Net Position	**$158,804,703**	**$255,227,601**

Statement of Revenues, Expenses and Changes in Net Position

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

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

Operating expenses are expenses incurred in the normal operation of the Colleges, including depreciation on property and equipment assets. When operating revenues excluding state appropriations and Pell Grants are measured against operating expenses, the Colleges show 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 Colleges' revenues, expense and changes in net position for the years ended June 30, 2018 and 2017 is presented below.

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

	2018	2017 (unaudited)
Operating Revenues		
Student tuition and fees, net	68,060,692	71,411,332
Auxiliary enterprise sales	10,837,208	9,045,367
State and local grants and contracts	32,769,647	34,322,971
Federal grants and contracts	8,021,736	7,385,215
Other operating revenues	2,446,721	2,668,692
Total operating revenues	**122,136,004**	**124,833,577**
Operating Expenses		
Salaries and wages	109,812,990	107,404,637
Benefits	38,278,043	35,264,928
Scholarships, net of discounts	34,093,900	32,248,362
Depreciation	7,895,688	8,123,880
Other operating expenses	34,616,682	43,018,723
Total operating expenses	**224,697,303**	**226,060,530**
Operating Income (Loss)	**(102,561,299)**	**(101,226,953)**
Non-Operating Revenues (Expenses)		
State appropriations	73,075,391	73,207,191
Federal Pell grant revenue	13,598,321	12,295,138
Investment income, gains and losses	1,630,996	582,892
Other non-operating revenues (expenses)	(5,443,667)	(5,234,305)
Net non-operating revenues (expenses)	**82,861,041**	**80,850,916**
Income or (loss) before capital contributions	**(19,700,258)**	**(20,376,037)**
Capital appropriations and contributions	**9,157,284**	**34,294,111**
Change in Net position	**(10,542,974)**	**13,918,074**
Net Position		
Net position, beginning of year	255,227,601	241,309,527
Cumulative effect of change in accounting principle (GASB 75)	(85,879,924)	-
Net position, beginning of year	169,347,677	241,309,527
Net position, end of year	**158,804,703**	**255,227,601**

Revenues
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the 34 colleges based in part on a three-year average of FTE actuals. Additionally, during FY 2018, the legislature designated some general funds as Pension Stabilization funds which did not result in any change in the colleges' funding or expenses. This new designation will continue in FY19.

In FY 2018, the Legislature increased tuition by 2.2% for the Community and Technical Colleges. The tuition increase offset the effect of a decline in lower-level state enrollments which was experienced by most colleges in FY 2018. Tuition was positively impacted by an increase in bachelor's level enrollments.

In FY 2018, Seattle Colleges also experienced a decline in enrollment levels with fewer international students, but an increase in eLearning and Running Start students totaling a combined decline of 3% of enrollment relative to the previous year.

Whereas Pell revenue generally follows enrollment trends, during FY 2018, the Colleges' Pell Grant revenues increased mostly due to the Colleges instituting summer Pell aid. For FY 2018, the Colleges attempted to keep other fees relatively even, which, combined with the enrollment decline resulted in a small decrease in these revenues.

In FY 2018, federal grant and contract revenues increased primarily due to a new Department of Education grant when compared with FY 2017. State grants decreased due to reduced pass-through funding from the State Board for certain grants like the BFET grant. The Colleges continued to serve students under contracted programs like Running Start in which students earn both high school and college credit. Running Start enrollments have continued to increase in FY 2018. The Colleges include international student fees in grants and contracts revenue.

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

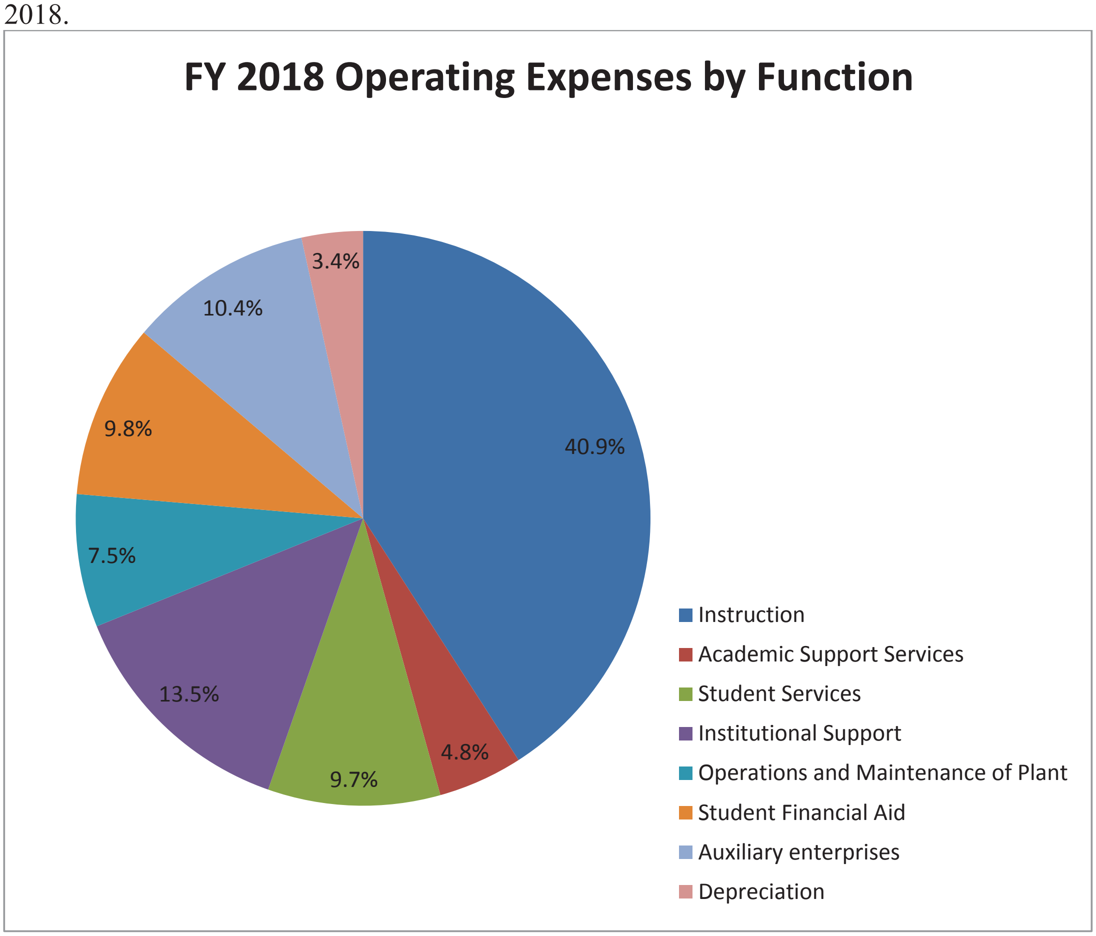
In FY 2018, capital appropriations expended were $25.1M lower than in FY 2017. Capital appropriation expended in FY 2017 was $34.3M as the Colleges were finishing the spending of capital appropriated for BI 2015-17. FY 2018 capital appropriation expenditures were much lower than FY 2017 as the BI 2017-19 capital appropriation was not approved by the Legislature until January 2018.

Expenses
As state allocations fail to cover increasing costs, the Colleges have continuously sought opportunities to identify savings and efficiencies. The Colleges have reduced some low-enrollment programs and limited some services to ensure revenues and expenditures align.

In FY 2018 salary and benefit costs increased as a result of the legislative requirement to fund COLA for all employees. The legislative funding provided 65% of the cost of these increases with 35% of the cost paid for by local college funds. Additional union-negotiated salary increases impacted the Colleges' salary costs for union positions.

Variations in other operating expenses between FY 2017 and FY 2018 included an increase in purchased services obligations and a decrease in supply expenditures. Other operating expenses were $4.2M higher for repair and maintenance in FY 2017 as projects started at the beginning of the 2015-2017 biennium were finished. Also, the $2.7M Moore v. HCA settlement was completed and recognized in FY 2017 and had no impact in FY 2018. These fluctuations are to be expected.

Operating Expenses by Function
The chart below shows the percentage of each functional area of operating expenses for FY 2018.



Capital Assets and Long-Term Debt Activities
The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. State funding priorities have not included increasing funding for the community and technical college capital projects at levels previously funded. There is no indication that this will significantly change in the near future. Seattle Colleges has benefited by having one of a small group of community college projects funded by a Certificate of Participation (COP) supported by system–wide building fees.

At June 30, 2018, the Colleges had invested $216,984,486 in capital assets, net of accumulated depreciation. This represents a decrease of $1,814,611 from last year, as shown in the table below.

Asset Type	June 30, 2018	June 30, 2017	Change
Land	7,508,685	7,508,685	-
Construction in Progress	1,407,624	47,552,545	(46,144,921)
Buildings, net	198,994,713	154,859,352	44,135,361
Other Improvements and Infrastructure, net	865,807	118,544	747,263
Equipment, net	7,660,907	8,214,001	(553,094)
Library Resources, net	546,750	545,970	780
Total Capital Assets, Net	**216,984,486**	**218,799,097**	**(1,814,611)**

The slight decrease in net capital assets can be attributed to the fact that additions to assets were lower than depreciation for the year. Additional information on capital assets can be found in Note 5 of the Notes to the Financial Statements.

At June 30, 2018, the Colleges had $6,590,000 in outstanding debt. This represents a decrease of $1,520,000 from last year, as shown in the table below. During 2018, the Colleges paid the remaining amount due on one of two COP's in the amount of $1,090,000.

	June 30, 2018	June 20, 2017	Change
Certificates of Participation	6,590,000	8,110,000	(1,520,000)
Total	**$ 6,590,000**	**$ 8,110,000**	**$ (1,520,000)**

Additional information of notes payable, long term debt and debt service schedules can be found in Notes 12 and 13 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

The Seattle area has seen remarkable economic growth over the past few years. The growing economy has attracted many people from outside the area who have moved into the city. A significant number of these new residents arrive having already attained a college degree and sometimes additional post-graduate degrees. The population growth in Seattle, along with economic growth has pushed up the cost of housing for both renters and owners beyond the means of many of our traditional community college students.

The lack of affordable housing in Seattle results in a smaller pool of potential students in the area. Over the years, Seattle Colleges have relied on international students to stabilize enrollments. However, in the last three years, international student enrollment has declined due to political and other factors.

In general, enrollments state-wide have declined. In Seattle, we see that our enrollments are leveling out. We have increased our strategic enrollment management efforts, focusing on pathway work to make it easier for students to enroll and succeed at Seattle Colleges. Seattle Pathways work will result in lower barriers and improved student success.

Enrollments have also increased from area high schools due to a city-wide free college program called Seattle Promise. Seattle Colleges will continue to benefit from Seattle Promise for the next 7 years with a levy passed by voters in November of 2018 which provides $40.7M in funding for Seattle high school graduates to attend Seattle Colleges.

Another factor affecting the future of Seattle Colleges is a change in the allocation funding model from the State Board of Community & Technical Colleges (SBCTC). The new model has resulted in lower allocated funding for Seattle Colleges from fiscal year 2015 forward. One aspect of the new allocation model which has negatively impacted Seattle Colleges is the decision to exclude international enrollments from state enrollment calculations. Under the current allocation model, colleges that are not making enrollment targets can claim international enrollments only up to 2% of the enrollment target.

Another negative aspect of the allocation model for Seattle Colleges is that it does not account for differences in the cost of living among colleges in the State which, due to the high cost of housing in the Seattle area, has resulted in difficulty attracting and retaining faculty and staff. Seattle Colleges, along with other colleges in King County have recommended to the State Board for Community & Technical Colleges and legislators, that regional cost-of-living impacts should be addressed through regional pay. Seattle and King County colleges are hopeful that the legislature will be favorable in approving some regional pay. However, there is a potential for the legislature to approve regional pay differences without fully funding these which would result in local funding challenges for Seattle Colleges. The Colleges are in support of the regional pay differential as a positive factor in retaining and attracting excellent faculty and staff.

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Seattle Colleges
Statement of Net Position
June 30, 2018

Assets	
Current assets	
Cash and cash equivalents	$ 31,664,518
Restricted cash	1,949,065
Short-term investments	13,410,000
Accounts receivable	19,393,893
Prepaid expenses	86,792
Total current assets	66,504,268
Non-Current Assets	
Long-term investments	39,188,184
Non-depreciable capital assets	8,916,309
Capital assets, net of depreciation	208,068,177
Total non-current assets	256,172,670
Total assets	**322,676,938**
Deferred Outflows of Resources	
Deferred outflows related to pensions	5,630,838
Deferred outflows related to OPEB	1,209,829
Total deferred outflows of resources	6,840,667
Liabilities	
Current Liabilities	
Accounts payable	3,317,015
Accrued liabilities	7,389,628
Compensated absences, short term	4,166,180
Deposits payable	626,499
Unearned revenue	10,008,509
Certificates of participation payable, short term	445,000
TIAA-CREFF liability, short term	164,355
OPEB liability, short term	7,504,331
Total current liabilities	33,621,517
Non-Current Liabilities	
Compensated absences	6,965,063
Certificates of participation payable	6,145,000
Net pension liability	23,196,113
Total pension liability	8,808,896
OPEB liability	68,943,092
Total non-current liabilities	114,058,164
Total liabilities	**147,679,681**
Deferred Inflows of Resources	
Deferred inflows related to pensions	7,884,097
Deferred inflows related to OPEB	15,149,123
Total deferred inflows of resources	23,033,220
Net Position	
Net Investment in Capital Assets	210,394,486
Restricted for:	
Nonexpendable	-
Expendable	1,738,629
Student Loans	-
Unrestricted (deficit)	(53,328,412)
Total Net Position	**$ 158,804,703**

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

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

Operating Revenues		
Student tuition and fees, net		$ 68,060,692
Auxiliary enterprise sales		10,837,208
State and local grants and contracts		32,769,647
Federal grants and contracts		8,021,736
Other operating revenues		2,446,721
Interest on loans to students		-
	Total operating revenue	122,136,004
Operating Expenses		
Other operating expenses		21,119,900
Salaries and wages		109,812,990
Benefits		38,278,043
Scholarships and fellowships		34,093,900
Supplies and materials		6,244,912
Depreciation		7,895,688
Purchased services		6,280,700
Utilities		971,170
	Total operating expenses	224,697,303
	Operating income (loss)	(102,561,299)
Non-Operating Revenues (Expenses)		
State appropriations		73,075,391
Federal Pell grant revenue		13,598,321
Investment income, gains and losses		1,630,996
Building fee remittance		(3,744,973)
Innovation fund remittance		(1,007,772)
Liquidation of Perkins Loan program		(374,748)
Interest on indebtedness		(316,174)
	Net non-operating revenue (expenses)	**82,861,041**
Income or (loss) before other revenues, expenses, gains, or losses		(19,700,258)
Capital Contributions		
Capital appropriations		9,157,284
	Increase (Decrease) in net position	(10,542,974)
Net Position		
Net position, beginning of year		255,227,601
Cummulative effect of change in accounting principle		(85,879,924)
Net position, beginning of year, as restated		169,347,677
Net position, end of year		$ 158,804,703

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

Seattle Colleges
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities	
Student tuition and fees	$ 66,993,380
Grants and contracts	40,915,197
Payments to vendors	(14,591,911)
Payments for utilities	(714,804)
Payments to employees	(104,419,748)
Payments for benefits	(35,056,244)
Auxiliary enterprise sales	10,842,372
Payments for scholarships and fellowships	(34,093,900)
Collection of loans to students	11,709
Other receipts	2,545,252
Other payments	(22,705,221)
Net cash used by operating activities	(90,273,918)
Cash flows from noncapital financing activities	
State appropriations	70,801,571
Pell grants	13,598,321
Amounts for other than capital purposes	374,748
Building fee remittance	(3,974,124)
Innovation fund remittance	(692,628)
Net cash provided by noncapital financing activities	80,107,888
Cash flows from capital and related financing activities	
Proceeds of capital debt	-
Capital appropriations	9,083,134
Purchases of capital assets	(6,329,035)
Certificate of participations proceeds	-
Principal paid on capital debt	(1,520,000)
Interest paid	(316,174)
Net cash used by capital and related financing activities	917,925
Cash flows from investing activities	
Purchase of investments	(11,483,201)
Proceeds from sales and maturities of investments	11,279,327
Income of investments	672,620
Net cash provided by investing activities	468,746
Increase in cash and cash equivalents	(8,779,358)
Cash and cash equivalents at the beginning of the year	42,392,941
Cash and cash equivalents at the end of the year	33,613,583

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	(102,561,299)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	7,895,688
Changes in assets and liabilities	
Receivables, net	(491,995)
Inventories	98,070
Other assets	77,066
Accounts payable	(2,857,628)
Accrued liabilities	997,543
Deferred revenue	(2,031,660)
Compensated absences	5,764,391
Pension liability adjustment	2,802,732
Deposits payable	21,466
Loans to students	11,709
Net cash used by operating activities	$ (90,273,918)

Significant Noncash Transactions

Decrease in fair value of investments	(880,287)
Captial assets acquired through gifts	85,053

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

FOUNDATION FOR THE SEATTLE COLLEGES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	$ 2,647,230	$ 1,885,283
Tenant accounts receivable	76,320	78,064
Contributions receivable	1,038	74,000
Prepaid expenses	100,414	115,416
Total current assets	2,825,002	2,152,763
Restricted Cash	395,621	394,334
Loans Receivable	16,122,050	16,122,050
Investments	167,631	172,768
Cash and Cash Equivalents Held for Endowment		27,268
Endowment Contributions Receivable	68,500	92,500
Endowment Investments	1,489,193	1,428,907
Use of Facilities Contribution Receivable	13,091,845	15,922,514
Property and Equipment, net	44,372,794	46,181,166
Total assets	$ 78,532,636	$ 82,494,270

LIABILITIES AND NET ASSETS	2017	2016
Current Liabilities		
Accounts payable	$ 239,567	$ 260,282
Grants payable	33,570	
Priority return distribution payable	239,070	91,357
Deferred rent revenue	63,473	110,556
Loans payable - current portion	190,000	192,000
Total current liabilities	765,680	654,195
Loans Payable, less current portion, net of loan costs	21,475,749	21,589,986
Total liabilities	22,241,429	22,244,181
Net Assets		
Unrestricted	33,451,272	34,145,533
Noncontrolling interest in Pacific Tower Master Tenant, LLC	7,814,422	8,556,483
Total unrestricted	41,265,694	42,702,016
Temporarily restricted	13,745,823	16,478,294
Permanently restricted	1,279,690	1,069,779
Total net assets	56,291,207	60,250,089
Total liabilities and net assets	$ 78,532,636	$ 82,494,270

FOUNDATION FOR THE SEATTLE COLLEGES

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support								
Contributions	$ 82,492	$ 1,038,885	$ 209,911	$ 1,331,288	$ 59,020	$ 414,593	$ 94,988	$ 568,601
District in-kind services contributions	498,284			498,284	467,437			467,437
Net assets released from restrictions	1,090,232	(1,090,232)			424,631	(424,631)		
Total public support	1,671,008	(51,347)	209,911	1,829,572	951,088	(10,038)	94,988	1,036,038
Revenue								
Rent	2,757,454			2,757,454	2,483,295			2,483,295
Parking and conference room fees	390,909			390,909	302,894			302,894
Other income	11,972			11,972	9,524			9,524
Investment income	242,131	149,331		391,462	237,188	13,362		250,550
Total revenue	3,402,466	149,331		3,551,797	3,032,901	13,362		3,046,263
Total public support and revenue	5,073,474	97,984	209,911	5,381,369	3,983,989	3,324	94,988	4,082,301
Expenses								
Foundation programs	1,059,000			1,059,000	1,655,676			1,655,676
Pacific Tower Project	7,796,857			7,796,857	7,774,581			7,774,581
Management and general	142,821			142,821	242,940			242,940
Fundraising	320,042			320,042	148,958			148,958
Total expenses	9,318,720			9,318,720	9,822,155			9,822,155
Change in net assets before Pacific Tower Project contributions and grants	**(4,245,246)**	**97,984**	**209,911**	**(3,937,351)**	**(5,838,166)**	**3,324**	**94,988**	**(5,739,854)**
Contributions and government grants		169,214		169,214		693,763		693,763
Government grants restricted for property and equipment						95,000		95,000
Repayment of government grant restricted for property and equipment					(2,000,000)			(2,000,000)
Net assets released from restriction	2,999,669	(2,999,669)			3,805,066	(3,805,066)		
Change in net assets	**(1,245,577)**	**(2,732,471)**	**209,911**	**(3,768,137)**	**(4,033,100)**	**(3,012,979)**	**94,988**	**(6,951,091)**
Noncontrolling Member Capital Contribution					6,667,926			6,667,926
Noncontrolling Member Priority Return Distribution	(190,745)			(190,745)	(91,357)			(91,357)
Net Assets, beginning of year	42,702,016	16,478,294	1,069,779	60,250,089	40,158,547	19,491,273	974,791	60,624,611
Net Assets, end of year	$ 41,265,694	$ 13,745,823	$ 1,279,690	$ 56,291,207	$ 42,702,016	$ 16,478,294	$ 1,069,779	$ 60,250,089

FOUNDATION FOR THE SEATTLE COLLEGES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of Change in Net Assets to Net Cash Flows from Operating Activities		
Change in net assets	$ (3,768,137)	$ (6,951,091)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	1,874,160	1,709,854
Amortization of debt issuance costs	76,391	322,715
Use of facilities contribution receivable	2,830,669	2,830,669
Realized and unrealized losses (gains) on investments	(121,085)	5,048
Contributions restricted to endowment	(209,911)	(94,988)
Contributions restricted for property and equipment		(693,763)
Government grants restricted for property and equipment		(95,000)
Repayment of government grant restricted for property and equipment		2,000,000
Changes in operating assets and liabilities		
Tenant accounts receivable	1,744	(45,289)
Contributions receivable	72,962	(74,000)
Prepaid expenses	15,002	(48,337)
Accounts payable	(20,715)	(49,877)
Grants payable	33,570	(396,500)
Deferred rent revenue	(47,083)	7,146
Net cash flows from operating activities	737,567	(1,573,413)
Cash Flows from Investing Activities		
Change in restricted cash	(1,287)	12,837,641
Proceeds from sales of investments	616,921	28,549
Purchase of investments	(523,717)	(547,068)
Purchase and construction of property and equipment, including $112,500 of capitalized interest in 2016	(65,788)	(16,917,788)
Net cash flows from investing activities	26,129	(4,598,666)
Cash Flows from Financing Activities		
Payment of debt issuance costs		(600)
Issuance of loans payable		3,757,568
Principal payments on loans payable	(192,628)	(4,040,568)
Contributions received restricted to endowment	233,911	502,488
Contributions restricted for property and equipment		693,763
Government grants received restricted for property and equipment		95,000
Repayment of government grant restricted for property and equipment		(2,000,000)
Priority return distribution	(43,032)	
Noncontrolling member capital contribution		6,667,926
Net cash flows from financing activities	(1,749)	5,675,577
Net change in cash and cash equivalents	**761,947**	**(496,502)**
Cash and Cash Equivalents, beginning of year	1,885,283	2,381,785
Cash and Cash Equivalents, end of year	$ 2,647,230	$ 1,885,283
Supplemental Disclosure		
Interest paid in cash, less amounts capitalized above	$ 244,042	$ 173,725
Priority return distribution payable	$ 147,713	$ 91,357

SOUTH SEATTLE COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS	2017	2016
Cash and cash equivalents	$ 410,482	$ 647,957
Investments	19,504,459	16,804,834
Promises to give, net of allowance for uncollectible amounts	629,367	897,709
Prepaid expenses and other assets	6,397	8,619
Total assets	$ 20,550,705	$ 18,359,119

LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 35,260	$ 246,996
Fundraising event prepayments		6,100
Total liabilities	35,260	253,096
Net assets		
Unrestricted		
Board-designated, endowments	6,768,849	5,300,308
Board-designated, programs	1,227	1,227
Undesignated	1,118,636	1,152,194
	7,888,712	6,453,729
Temporarily restricted	4,674,175	3,944,681
Permanently restricted	7,952,558	7,707,613
Total net assets	20,515,445	18,106,023
Total liabilities and net assets	$ 20,550,705	$ 18,359,119

SOUTH SEATTLE COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue								
Contributions	$ 41,634	$ 521,599	$ 244,945	$ 808,178	$ 43,452	$ 829,106	$ 487,102	$ 1,359,660
Interest and dividends	180,466	182,864		363,330	129,136	182,393		311,529
Net realized/unrealized gains on investments	1,112,639	1,127,426		2,240,065	369,901	592,498		962,399
Special events, net of direct expenses of $23,081 and $27,611 in 2017 and 2016, respectively	182,788			182,788	118,229	39,551		157,780
In-kind contributions	96,410	84,551		180,961	144,963	175,905		320,868
Total revenue	1,613,937	1,916,440	244,945	3,775,322	805,681	1,819,453	487,102	3,112,236
Net assets released due to satisfaction of restrictions	1,186,946	(1,186,946)			1,375,420	(1,375,420)		
	2,800,883	729,494	244,945	3,775,322	2,181,101	444,033	487,102	3,112,236
Expenses								
Scholarships and other program expenses	1,210,353			1,210,353	1,400,545			1,400,545
Fundraising	44,817			44,817	97,258			97,258
Management and general	110,730			110,730	115,022			115,022
Total expenses	1,365,900			1,365,900	1,612,825			1,612,825
Change in net assets	**1,434,983**	**729,494**	**244,945**	**2,409,422**	**568,276**	**444,033**	**487,102**	**1,499,411**
Net Assets, beginning of year	6,453,729	3,944,681	7,707,613	18,106,023	5,885,453	3,500,648	7,220,511	16,606,612
Net Assets, end of year	$ 7,888,712	$ 4,674,175	$ 7,952,558	$ 20,515,445	$ 6,453,729	$ 3,944,681	$ 7,707,613	$ 18,106,023

SOUTH SEATTLE COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

		2017		2016
Cash Flows from Operating Activities				
Change in net assets	$	2,409,422	$	1,499,411
Adjustments to reconcile change in net assets to net cash flows from operating activities				
Net realized/unrealized gains on investments		(2,240,065)		(962,399)
Contributions restricted for endowment		(244,945)		(487,102)
Write-off of uncollectible accounts		1,720		500
Changes in assets and liabilities				
Promises to give		266,622		415,810
Prepaid expenses and other assets		2,222		741
Accounts payable		(211,736)		98,121
Fundraising event prepayments		(6,100)		2,300
Net cash flows from operating activities		(22,860)		567,382
Cash Flows from Investing Activity				
Purchases of investments, net		(459,560)		(1,048,525)
Cash Flows from Financing Activity				
Contributions restricted for endowment		244,945		487,102
Net change in cash and cash equivalents		**(237,475)**		**5,959**
Cash and Cash Equivalents, beginning of year		647,957		641,998
Cash and Cash Equivalents, end of year	$	410,482	$	647,957

Notes to the Financial Statements

June 30, 2018

These notes form an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

Seattle Colleges is a District of three comprehensive community colleges and one technical institute offering open-door academic programs, workforce education, basic skills, and community services. The Colleges confer applied baccalaureate, associates degrees, certificates and high school diplomas. A five-member Board of Trustees appointed by the Governor and confirmed by the state Senate governs the Colleges.

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

The Foundation for Seattle Colleges, The Seattle Central Community College Foundation, The North Seattle Community College Education Fund and The South Seattle College Foundation are separate but affiliated non-profit entities incorporated under Washington law and recognized as tax-exempt 501(c) (3) charities. The Foundations' charitable purposes are to raise funds for student support. Each Foundation is a discrete component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14 because the majority of the Foundations' income and resources are restricted by donors and may only be used for the benefit of the colleges or the colleges' students. A discrete component unit is an entity that 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 for Seattle Colleges and The South Seattle College Foundation financial statements are discretely presented in this report. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. A copy of each of the Foundation's most recent financial statements may be obtained from the Advancement Administrative Offices at:

Seattle Colleges

1500 Harvard Ave.

Seattle, WA 98122

advancement@seattlecolleges.edu

Attn: Traci Russell, Advancement

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 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. Intra-agency receivables and payables have generally been eliminated for the financial statements. However, revenues and expenses from the College's auxiliary enterprises are reported as though the College were dealing with private vendors. For all other funds, transactions that are reimbursements of expenses are recorded as reductions of expense.

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

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

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

The College combines unrestricted cash operating funds from all departments into an internal investment pool. The internal investment pool is comprised of cash, cash equivalents, and U.S. Government Bonds.

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. Where applicable, accounts receivable includes proceeds from Certificates of Participation that have not yet been received from the State Treasurer. Accounts receivable are shown net of estimated uncollectible amounts.

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives are generally 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

The college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2018, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. Unearned revenues also include tuition and fees paid with financial aid funds. The College has recorded summer quarter tuition and fees, housing deposits and advanced grant proceeds 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 Statement No 68, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Beginning fiscal year 2017, the College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB 73 Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 (Accounting and Financial Reporting for Pensions). The reporting requirements are similar to GASB68 but use current fiscal yearend as the measurement date for reporting the pension liabilities.

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 Nonexpendable. This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principle.

- Restricted for Loans. The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.

- 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 restricted resources and then towards unrestricted 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 are directly related to the principal operations of the College, such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) federal, state and local grants and contracts that primarily support the operational/educational activities of the colleges.

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

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

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2018 are $8,320,333.

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.

Note 2 - Accounting and Reporting Changes

Reporting Changes

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)*, which improves accounting and financial reporting by state and local governments for pensions. This statement also supersedes GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as GASB Statement No. 50, Pension Disclosures. GASB 68 is effective for fiscal years beginning after June 15, 2014. The College has implemented this pronouncement during the 2015 fiscal year.

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

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

Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB),* the College has a deficit unrestricted net position of $53,328,415. This new accounting standard requires the College to recognize its portion of the State’s total OPEB liability, reducing net position by a substantial amount. Additional information regarding GASB Statement No. 75 can be found in Note 16.

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

Cumulative Effect of a Change in Accounting Principle

Beginning net position was restated by $85,879,924 in fiscal year 2018 as a result of implementing GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).*

Accounting Standard Impacting the Future

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

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

Note 3 - Cash and Investments

Cash and cash equivalents include bank demand deposits, petty cash held at the College and unit shares in the Local Government Investment Pool (LGIP). Investments of surplus or pooled cash balances are reported on the accompanying Statements of Net Position, Balance Sheets, and Statements of Cash Flows as "Cash and Pooled Investments." The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at fair value or amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates. For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

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

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, Washington 98504-0200, or online at: https://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/. In addition, more information is available regarding the LGIP in the Washington State Consolidated Annual Financial report, which can be found online at https://www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report.

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

As of June 30, 2018, the carrying amount of the College's cash, cash equivalents and restricted cash was $33,613,583 as represented in the table below.

		June 30, 2018
Petty Cash and Change Funds	$	23,786
Bank Demand and Time Deposits		5,790,394
Local Government Investment Pool		25,850,338
Total Cash and Cash Equivalents	**$**	**31,664,518**
Cash restricted for retainage held		210,436
Cash restricted for supplemental financial aid		1,738,629
Total Restricted Cash	**$**	**1,949,065**

Outside of investment in the LGIP, investments by the college consist of U.S. Agency bonds. The college measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

All bonds held by the College are obligations of the United States or its agencies and are classified as Level 2 in the fair value hierarchy. As of June 30, 2018, the fair value of investments was $52,598,184.

Investment Maturities	Fair Value	One Year or Less	1 - 5 Years	6 - 10 Years	10 or More Years
U.S. Agency Obligations	52,598,184	13,281,163	39,317,021	-	-
Total Investments	**52,598,184**	**13,281,163**	**39,317,021**	**-**	**-**

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

Interest Rate Risk—Investments

The College manages its exposure to interest rate changes by limiting the duration of investments to mature at various points in the year. The portfolio average maturity is two years or less.

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.

Investments are listed by issuer in the table below. Government sponsored enterprises (GSE's) Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corp (FHLMC), Federal National Mortgage Association (FNMA), issue agency bonds. Each of these agencies has a credit rating of AAA that represents an exceptional degree of creditworthiness. Financing Corporation (FICO) is a U.S. Government agency. U.S. Treasury bonds back zero coupon Treasury securities issued by FICO. Resolution Funding Corporation (RFCSP) securities are obligations of the U.S. Treasury.

Issuer		Fair Value	Rating*
FFCB	$	16,853,425	AAA
FHLB		4,444,605	AAA
FHLLMC		2,195,325	AAA
FICO		14,836,932	NR AGY
FNMA		5,944,920	AAA
RFCSP		8,322,977	NR AGY
Total Investments	$	52,598,184	

*NR AGY = Non Rated U.S. Government Agency

Custodial Credit Risk—Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2018, the College's investments were held by Union Bank in the College's name and are therefore not exposed to custodial credit risk.

Note 4 - Accounts Receivable

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

Accounts Receivable		Amount
Student Tuition and Fees	$	4,002,137
Due from the Federal Government		2,109,674
Due from Other State Agencies		13,314,019
Auxiliary Enterprises		730,685
Other		22,908
Subtotal		20,179,423
Less Allowance for Uncollectible Accounts		(785,530)
Accounts Receivable, net	**$**	**19,393,893**

Note 5 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2018 is presented as follows. The current year depreciation expense was $7,895,688.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	$ 7,508,685	$ -	$ -	$ 7,508,685
Construction in progress	47,552,545	(46,144,921)	-	1,407,624
Total capital assets, non-depreciable	55,061,230	(46,144,921)	-	8,916,309
Capital assets, depreciable				
Buildings	261,573,712	50,113,401	-	311,687,113
Other improvements and infrastructure	869,683	756,118	-	1,625,801
Equipment	33,128,083	1,218,848	(466,029)	33,880,902
Library resources	1,683,052	153,131	-	1,836,183
Total capital assets, depreciable	297,254,530	52,241,498	(466,029)	349,029,999
Less accumulated depreciation				
Buildings	106,714,358	5,978,041	-	112,692,399
Other improvements and infrastructure	751,139	8,855	-	759,994
Equipment	24,914,083	1,756,442	(450,529)	26,219,996
Library resources	1,137,083	152,350	-	1,289,433
Total accumulated depreciation	133,516,663	7,895,688	(450,529)	140,961,822
Total capital assets, depreciable, net	163,737,867	44,345,810	(15,500)	208,068,177
Capital assets, net	**$218,799,097**	**$ (1,799,111)**	**$ (15,500)**	**$216,984,486**

Note 6 - Accounts Payable and Accrued Liabilities

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

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 3,420,106
Accounts Payable	3,317,015
Amounts Held for Others and Retainage	3,969,522
Total	**$ 10,706,643**

Note 7 - Unearned Revenue

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

Unearned Revenue	Amount
Summer Quarter Tuition & Fees	$ 9,399,881
Housing and Other Deposits	608,628
Total Unearned Revenue	$ 10,008,509

Note 8 - Risk Management

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

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

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2017 through June 30, 2018, were $730,034. Cash reserves for unemployment compensation for all employees at June 30, 2018, were $577,817.

Note 9 - Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $4,636,010 and accrued sick leave totaled $6,495,233 as of June 30, 2018.

Note 10 - Leases Payable

The College has leases for classroom space, housing for international students and office equipment with various vendors. These leases are classified as operating leases. As of June 30, 2018, the minimum lease payments under operating leases consist of the following:

Fiscal year		Operating Leases
2019	$	2,061,378
2020		1,873,835
2021		1,335,723
2022		1,338,416
2023		1,340,964
2024-2028		7,187,421
Total minimum lease payments	**$**	**15,137,737**

Note 11 - Notes Payable

In June 2008, the College obtained financing in order to purchase the building at 1515 Broadway in Seattle through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $2,355,000. The interest rate charged is 4.129%. In October 2017, the remaining principal balance of $1,090,000 and interest of $162,362.50 was paid to retire this debt early.

In June 2010, the College obtained financing in order to build The Opportunity Center for Employment and Education aka Employee Resource Center Building, through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $9,375,000. The interest rate charged is 4.05%.

The College's debt service requirements for this note agreement for the next five years and thereafter are as follows in Note 12.

Note 12 - Annual Debt Service Requirements

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

Certificates of Participation

Fiscal year	Principal	Interest	Total
2019	$ 445,000	$ 266,556	$ 711,556
2020	460,000	246,094	706,094
2021	475,000	235,993	710,993
2022	490,000	219,369	709,369
2023	510,000	200,994	710,994
2024-2028	2,880,000	676,719	3,556,719
2029-2033	1,330,000	90,450	1,420,450
2034-2038	-	-	-
2039-2043	-	-	-
Total	**$ 6,590,000**	**$ 1,936,175**	**$ 8,526,175**

Note 13 - Schedule of Long Term Liabilities

	Balance outstanding 6/30/17	Additions	Reductions	Balance outstanding 6/30/18	Current portion
Certificates of Participation	$ 8,110,000	$ -	$ 1,520,000	$ 6,590,000	$ 445,000
Compensation absences	5,366,851	9,875,131	4,110,739	11,131,243	4,166,180
Net pension liability	30,042,018	4,071,516	10,917,421	23,196,113	-
Total pension liability	10,253,788	3,250,854	4,531,391	8,973,251	164,355
OPEB liability	85,879,924	8,821,223	18,253,724	76,447,423	7,504,331
Total	**$ 139,652,581**	**$26,018,724**	**$39,333,275**	**$ 126,338,030**	**$ 12,279,866**

Note 14 - Pension Liability

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

Pension Liability by Plan

PERS 1	$ 11,593,699
PERS 2/3	10,453,128
TRS 1	910,336
TRS 2/3	238,950
SBRP	8,973,251
Total	**$ 32,169,364**

Note 15 - Retirement Plans

A. General

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

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

Covered Payroll by Plan

PERS	$	29,780,834
TRS		1,466,130
SBRP		58,154,953
Total Covered Payroll	**$**	**89,401,917**

Basis of Accounting

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

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

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

Aggregate Pension Amounts - All Plans		
Pension Liabilities	$	(32,169,364)
Deferred outflows of resources related to pensions	$	5,630,838
Deferred inflows of resources related to pensions	$	(7,884,097)
Pension Expense	$	(1,570,245)

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

PERS and TRS

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

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

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

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

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

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

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

Contribution Rates at June 30

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

Required Contributions

	FY 2016		FY 2017		FY 2018	
PERS	Employee	College	Employee	College	Employee	College
Plan 1	$ 45,325	$ 82,478	$ 31,592	$ 58,866	$ 21,553	$ 45,566
Plan 2	718,629	731,541	1,353,452	2,472,790	1,583,392	2,725,708
Plan 3	308,625	285,300	502,749	828,598	553,920	1,013,796
TRS						
Plan 1	7,359	15,527	7,986	17,157	2,070	5,113
Plan 2	12,653	24,934	2,062	4,550	408	898
Plan 3	$ 85,128	$ 87,067	$ 71,973	$ 124,744	$ 107,090	$ 213,918

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

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

For the year ended June 30, 2017, the annual money-weighted rate of return on the pension investments, net of pension plan investment expenses, are as follows:

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

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

The PERS and TRS target asset allocation and long-term expected real rate of return as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Public Equity	37%	6.30%
Private Equity	23%	9.30%
Total	**100%**	

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

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Actuarially determined pension expense	$723,679	$ 1,453,495	$ 58,528	$ 85,909	$ 2,321,611
Amortization of change in proportionate share of liability	(272,233)	305,784	(71,144)	24,997	(12,596)
Total Pension Expense	**$451,446**	**$ 1,759,279**	**$ (12,616)**	**$110,906**	**$2,309,015**

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

	2016	2017	Change
PERS 1	0.249531%	0.244331%	-0.005200%
PERS 2/3	0.301052%	0.300851%	-0.000201%
TRS 1	0.032263%	0.030111%	-0.002152%
TRS 2/3	0.027799%	0.025890%	-0.001909%

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

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

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

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

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

Changes in methods and assumptions since the last valuation include:

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 and TRS Plan 1 is valued for legal order payees was improved.

- The average expected remaining service lives calculation was revised. It is used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

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

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

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

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

Pension Plan	6.50%	7.50%	8.50%
PERS 1	$ 14,123,338	$ 11,593,697	$ 9,402,485
PERS 2/3	$ 28,161,838	$ 10,453,134	$ (4,056,521)
TRS 1	$ 1,131,983	$ 910,336	$ 718,485
TRS 2/3	$ 811,560	$ 238,950	$ (226,117)

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

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2018:

PERS 1	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	432,644
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	1,534,263	-
Totals	**$ 1,534,263**	**$ 432,644**

PERS 2/3	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	1,059,149	343,785
Difference between expected and actual earnings of pension plan investments	-	2,786,554
Changes of assumptions	111,032	-
Changes in College's proportionate share of pension liabilities	372,360	7,398
Contributions subsequent to the measurement date	2,203,771	-
Totals	**$ 3,746,312**	**$ 3,137,737**

TRS 1	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	38,566
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	107,772	-
Totals	**$ 107,772**	**$ 38,566**

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	59,586	12,190
Difference between expected and actual earnings of pension plan investments	-	86,476
Changes of assumptions	2,816	-
Changes in College's proportionate share of pension liabilities	69,494	18,776
Contributions subsequent to the measurement date	110,596	-
Totals	**$ 242,492**	**$ 117,442**

The $3,956,402 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2019.

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

Year ended June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2019	(292,440)	(866,665)	(28,328)	(8,884)
2020	92,328	409,305	10,605	36,182
2021	(21,438)	(229,806)	(943)	7,796
2022	(221,095)	(1,121,935)	(19,901)	(32,435)
2023	-	93,001	-	2,457
Thereafter	-	120,902	-	9,338
Total	**$ (442,645)**	**$ (1,595,198)**	**$ (38,567)**	**$ 14,454**

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2018 were each $5,020,651.

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

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

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

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

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2018, supplemental benefits were paid by the SBCTC on behalf of the College in the amount of $1,300,000. The College's share of this amount was $133,817. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2018, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $290,423. This amount was not used as a part of GASB73 calculations its status as an asset has not been determined by the Legislature. As of June 30, 2018, the Community and Technical College system accounted for $16,351,270 of the fund balance.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016. Update procedures were used to roll forward the total pension liability to the June 30, 2018 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Material assumption changes during the measurement period include the discount rate increase from 2.85 percent to 3.58 percent and the variable income investment return assumption dropping from 6.75 percent to 6.25 percent.

Discount Rate. The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.58 percent for the June 30, 2018, measurement date.

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

Proportionate Share (%)		**10.29%**
Service Cost	$	393,937
Interest Cost		362,026
Amortization of Differences Between Expected and Actual Experience		(477,006)
Amortization of Changes of Assumptions		(126,303)
Changes of Benefit Terms		-
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		**152,654**
Amortization of the Change in Proportionate Share of TPL		(75,513)
Total Pension Expense	**$**	**77,141**

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for fiscal year ending June 30, 2018 was 10.29%. 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 Colleges. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Proportionate Share (%) 2017	**10.79%**
Proportionate Share (%) 2018	**10.29%**
Total Pension Liability - Ending 2017	$ 10,253,788
Total Pension Liability - Beginning 2018	9,784,079
Total Pension Liability - Change in Proportion	(469,708)
Total Deferred Inflow/Outflows - 2017	2,933,845
Total Deferred Inflow/Outflows - 2018	2,799,451
Total Deferred Inflows/Outflows - Change in Proportion	(134,394)
Total Change in Proportion	**$ (604,103)**

Plan Membership. Membership in the State Board Supplemental Retirement Plan consisted of the following as of June 30, 2016, the most recent actuarial valuation date:

	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**
SBRP	12	3	647	662

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

Schedule of Changes in Total Pension Liability	
	Amount
Service Cost	$ 393,937
Interest	362,026
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(1,070,742)
Changes in Assumptions	(362,232)
Benefit Payments	(133,817)
Change in Proportionate Share of TPL	(469,708)
Other	-
Net Change in Total Pension Liability	(1,280,536)
Total Pension Liability - Beginning	10,253,788
Total Pension Liability - Ending	**$ 8,973,252**

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

1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
$ 10,231,141	$ 8,970,102	$ 7,921,242

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

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference Between Expected and Actual Experience	$ -	$ 2,858,639
Changes of Assumptions	-	770,477
Changes in College's proportionate share of pension liability	-	528,590
Transactions Subsequent to the Measurement Date	-	-
Total	$ -	**$ 4,157,706**

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

State Board Supplemental Retirement Plan	
2019	(603,309)
2020	(603,309)
2021	(603,309)
2022	(603,309)
2023	(603,309)
Thereafter	(612,573)

D. Defined Contribution Plans

Public Employees' Retirement System Plan 3

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

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

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

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

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

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

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

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

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

Note 16 - Other Post-Employment Benefits

The College implemented Statement No. 75 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* for fiscal year 2018 financial reporting. In addition to pension benefits as described in Note 15, the College, through the Health Care Authority (HCA), administers a single employer defined benefit other postemployment benefit (OPEB) plan.

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

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

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

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

Summary of Plan Participants
As of June 30, 2017

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

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

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

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

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

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

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

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

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

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

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

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

Total OPEB Liability

As of June 30, 2018, the state reported a total OPEB liability of $5.83 billion. The College's proportionate share of the total OPEB liability is $76,447,422. This liability was determined based on a measurement date of June 30, 2017.

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

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

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

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

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

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

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

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

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

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

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

Changes in Total OPEB Liability

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

Seattle Colleges		
Proportionate Share (%)		**1.3122168278%**
Service Cost	$	5,182,669
Interest Cost		2,427,594
Differences Between Expected and Actual Experienc		-
Changes in Assumptions*		(11,841,846)
Changes of Benefit Terms		-
Benefit Payments		(1,237,141)
Changes in Proportionate Share		(5,280,670)
Other		-
Net Change in Total OPEB Liability		(10,749,394)
Total OPEB Liability - Beginning		87,196,816
Total OPEB Liability - Ending	**$**	**76,447,422**

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

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

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

1% Decrease	Current Discount Rate	1% Increase
$ 93,275,294	$ 76,447,422	$ 63,425,352

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

Health Care Cost Trend Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$ 61,758,997	$ 76,447,422	$ 96,160,600

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

For the year ending June 30, 2018, the College will recognize OPEB expense of $5,716,622. OPEB expense consists of the following elements:

Seattle Colleges	
Proportionate Share (%)	**1.3122168278%**
Service Cost	$ 5,182,669
Interest Cost	2,427,594
Amortization of Differences Between Expected and Actual Experience	-
Amortization of Changes in Assumptions	(1,315,761)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(577,880)
Administrative Expenses	-
Total OPEB Expense	**$ 5,716,622**

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

Seattle Colleges		
Proportionate Share (%)	**1.3122168278%**	
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience	$ -	$ -
Changes in assumptions	10,526,085	-
Transactions subsequent to the measurement date	-	1,209,829
Changes in proportion	4,623,039	-
Total Deferred Inflows/Outflows	**$ 15,149,124**	**$ 1,209,829**

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

Proportionate Share (%)		1.3122168278%
2019	$	(1,893,641)
2020	$	(1,893,641)
2021	$	(1,893,641)
2022	$	(1,893,641)
2023	$	(1,893,641)
Thereafter	$	(5,680,919)

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

Proportionate Share (%) 2016		**1.3968080074%**
Proportionate Share (%) 2017		**1.3122168278%**
Total OPEB Liability - Ending 2016	$	87,196,816
Total OPEB Liability - Beginning 2017		81,916,146
Total OPEB Liability Change in Proportion		(5,280,670)
Total Deferred Inflows/Outflows - 2016		1,316,892
Total Deferred Inflows/Outflows - 2017		1,237,141
Total Deferred Inflows/Outflows Change in Proportion		(79,751)
Total Change in Proportion	**$**	**(5,200,919)**

Note 17 - Operating Expenses by Program

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

Expenses by Functional Classification		
Instruction	$	91,911,251
Academic Support Services		10,699,112
Student Services		21,783,213
Institutional Support		30,360,132
Operations and Maintenance of Plant		16,804,747
Auxiliary enterprises		23,292,462
Student Financial Aid		22,106,031
Depreciation		7,740,355
Total operating expenses	**$**	**224,697,303**

Note 18 - Commitments and Contingencies

At present, there are two pending litigation matters against Seattle Colleges:

Port of Port Townsend v. Seattle Central Community College, Jefferson County Superior Court No. 17-2-00083-2. This matter involves a claim by the Port that the Seattle Central College has secondary liability under RCW 79.100 for abandonment of a vessel at the Port. Seattle Colleges tendered defense of the case to its vessel broker under an indemnification clause. The broker's insurance firm accepted the tender with a reservation of defenses. Outside counsel, Shawn Griggs, is defending the matter. It is anticipated that any liability will be covered by the broker's insurance, although there is a possibility that the insurer may seek some contribution. There is no way to reasonably approximate the percentage of contribution, which may be subject to negotiation. The Port demanded $251,000 costs and attorney's fees during a failed mediation in December 2018. Trial is set for June 2019.

Ona Canfield v. Seattle Central College, King County Superior Court No. 19-2-03720-2. The Assistant Attorney General received this complaint on February 12, 2018. It involves an allegation that the Seattle Colleges violated Public Records Act, RCW 42.56, by failing to provide documents. The complaint requests daily penalties, costs, and attorney's fees. Assessment of the potential liability is uncertain. The Seattle College District is reviewing its files to see if it provided all of the records requested that were in existence on the date of the request. Courts have broad discretion in imposing daily penalties. Any judgment could exceed $50,000. It is too early in the litigation to assess whether the claim has merit.

The College has commitments of $9,505,404 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

Note 19 – Prior Audited Financial Statements

Due to staffing transitions, the Seattle Colleges' last published audited financial statements in 2015 for the 2014 fiscal year.

Beginning in 2014, a prolonged series of finance leadership transitions occurred, leaving the department responsible for producing audits understaffed and under-resourced on an ongoing basis. Faced with the expectations for producing financial statements from a complex and unique accounting system and in response to the understaffed and under-resourced finance department, in 2017 the Seattle Colleges District opted to hire an external accounting firm to produce financial statements for the 2015 and 2016 fiscal years. Again, because the work is extremely complex and requires a full understanding of the unique accounting done in the Community and Technical College system in the Washington, the external accounting firm was unable to produce a fully auditable financial statement.

Moving forward, the district has opted to employ individuals with deep knowledge of the state financial system and experience producing financial statements using the unique HP system. In order to ensure a timely audit for the 2018 fiscal year, the college opted to forego the completion of the 2015 and 2016 fiscal year audit engagements and proceed directly to the audit of fiscal year 2018. Audit work and the development of the financial statement is cumulative. Therefore, management believes that an unqualified opinion for the 2018 fiscal year financial statements will materially address any items that may have originated in a prior unaudited year.

Note 20 – Foundation Update

With the full support of the Seattle Colleges Board of Trustees, the chancellor and the advancement team worked together with the college presidents and representatives from each college foundation board of directors during 2017 and 2018 to create a new foundation to serve all the colleges and specialty centers of Seattle Colleges. Efforts focused primarily on streamlining processes and consolidating resources; coordinating with North, Central, and South foundation volunteers and board directors; and aligning gift solicitation and award disbursement processes districtwide.

In April of 2018, a new nonprofit foundation called Seattle Colleges Foundation was launched. In fiscal year 2019, the foundations of North and Central decided to merge with this new foundation. South's foundation chose to become independent from Seattle Colleges but continues to support students and programs at South. The district's existing Foundation for the Seattle Colleges will continue to manage the Pacific Tower project only. The merger with North's foundation is complete. The Seattle Central College Foundation merger is expected in fiscal year 2019.

Note 21 – Prior Foundation Reporting

The audited financial statements for the 2014 fiscal year included the North Seattle Community College Foundation (NSCCF) as a discreetly presented component unit. NSCCF is now unaffiliated with the college and does not provide services almost entirely to the college. Therefore, NSCCF is no longer determined to be a component unit of the college.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Seattle Colleges' Proportionate Share of the Net Pension Liability

Schedule of Seattle Colleges' Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.236912%	$ 11,934,553	$ 24,019,544	49.69%	61.19%
2015	0.243765%	$ 12,751,176	$ 26,975,186	47.27%	59.10%
2016	0.249531%	$ 13,400,990	$ 28,902,416	46.37%	57.03%
2017	0.244331%	$ 11,593,699	$ 29,375,810	39.47%	61.24%
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Seattle Colleges' Proportionate Share of the Net Pension Liability

Schedule of Seattle Colleges' Share of the Net Pension Liability

Public Employees' Retirement System (PERS) Plan 2/3

Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.282041%	$ 5,701,068	$ 23,171,384	24.60%	93.29%
2015	0.294144%	$ 10,509,935	$ 26,169,995	40.16%	89.20%
2016	0.301052%	$ 15,157,730	$ 28,146,998	53.85%	85.82%
2017	0.300851%	$ 10,453,128	$ 29,496,393	35.44%	90.97%
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Seattle Colleges' Proportionate Share of the Net Pension Liability

Schedule of Seattle Colleges' Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.025445%	$ 750,488	$ 904,477	82.97%	68.77%
2015	0.029606%	$ 937,960	$ 1,258,555	74.53%	65.70%
2016	0.032263%	$ 1,101,535	$ 1,500,096	73.43%	62.07%
2017	0.030111%	$ 910,336	$ 1,550,219	58.72%	65.58%
2018					
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Seattle Colleges' Proportionate Share of the Net Pension Liability

Schedule of Seattle Colleges' Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.017490%	$ 56,513	$ 725,181	7.79%	96.81%
2015	0.023049%	$ 194,488	$ 1,090,532	17.83%	92.48%
2016	0.027799%	$ 381,763	$ 1,377,445	27.72%	88.72%
2017	0.025890%	$ 238,950	$ 1,419,701	16.83%	93.14%
2018					
2019					
2020					
2021					
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 1,015,017	$ 1,015,017	$ -	$24,019,544	4.23%
2015	$ 1,121,180	$ 1,121,180	$ -	$26,975,186	4.16%
2016	$ 1,415,082	$ 1,415,082	$ -	$28,902,416	4.90%
2017	$ 1,469,711	$ 1,469,711	$ -	$30,067,061	4.89%
2018	$ 1,474,272	$ 1,474,272	$ -	$29,375,810	5.02%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 1,153,123	$ 1,153,123	$ -	$23,171,384	4.98%
2015	$ 1,313,520	$ 1,313,520	$ -	$26,169,995	5.02%
2016	$ 1,737,946	$ 1,737,946	$ -	$28,146,998	6.17%
2017	$ 1,837,568	$ 1,837,568	$ -	$29,496,393	6.23%
2018	$ 2,184,202	$ 2,184,202	$ -	$29,375,810	7.44%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 48,359	$ 48,359	$ -	$ 904,477	5.35%
2015	$ 66,409	$ 66,409	$ -	$ 1,258,555	5.28%
2016	$ 98,053	$ 98,053	$ -	$ 1,500,096	6.54%
2017	$ 105,368	$ 105,368	$ -	$ 1,550,219	6.80%
2018	$ 106,582	$ 106,582	$ -	$ 1,467,085	7.26%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 41,146	$ 41,146	$ -	$ 725,181	5.67%
2015	$ 62,089	$ 62,089	$ -	$ 1,090,532	5.69%
2016	$ 90,738	$ 90,738	$ -	$ 1,377,445	6.59%
2017	$ 95,392	$ 95,392	$ -	$ 1,419,701	6.72%
2018	$ 110,176	$ 110,176	$ -	$ 1,428,031	7.72%
2019					
2020					
2021					
2022					
2023					

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

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Total Pension Liability and Related Ratios
Seattle Colleges
Fiscal Year Ended June 30, 2018
(expressed in thousands)

	2017	2018
Total Pension Liability		
Service Cost	$ 584	$ 394
Interest	379	362
Changes of benefit terms	-	-
Differences between expected and actual experience	(2,733)	(1,071)
Changes of assumptions	(645)	(362)
Benefit Payments	(97)	(134)
Change in proportionate share of TPL	-	(470)
Net Change in Total Pension Liability	**(2,512)**	**(1,281)**
Total Pension Liability - Beginning	**12,766**	**10,254**
Total Pension Liability - Ending	**$ 10,254**	**$ 8,973**
College's Proportion of the Pension Liability	10.79%	10.29%
Covered-employee payroll	$ 59,921	$ 58,155
Total Pension Liability as a percentage of covered-employee payr	17.11%	15.43%

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

The State Board Supplemental Retirement Plans are financed on a pay-as-you-go basis. State Board makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, salary growth and the variable income investment return.

Required Supplementary Information
Other Postemployment Benefits Information

Schedule of Changes in Total OPEB Liability and Related Ratios Fiscal Year Ended June 30		
Total OPEB Liability		**2018**
Service cost	$	5,182,669
Interest cost		2,427,594
Difference between expected and actual experience		-
Changes in assumptions		(11,841,846)
Changes in benefit terms		-
Benefit payments		(1,237,141)
Changes in proportionate share		(5,280,670)
Other		-
Net Changes in Total OPEB Liability	$	(10,749,394)
Total OPEB Liability - Beginning	$	87,196,816
Total OPEB Liability - Ending	$	76,447,422
College's proportion of the Total OPEB Liability (%)		1.312217%
Covered-employee payroll	$	104,219,715
Total OPEB Liability as a percentage of covered-employee payroll		73.352170%

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

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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