OLYMPIC COLLEGE

Financial Report

2017-2018

Olympic College
2018 Financial Report

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Olympic College
1600 Chester Avenue Bremerton, WA 98337

Trustees and Administrative Officers

Trustees and Officer list effective as of December 1, 2018

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

March 8, 2019

Board of Trustees
Olympic College
Bremerton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of business-type activities and the aggregate discretely presented component units of Olympic College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

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

Matters of Emphasis

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

The financial statements of Olympic College, an agency of the state of Washington, are intended to present the financial position, and 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 in the table of contents 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 Information

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements as a whole. The Trustees and Administrative Officers is presented for purposes of additional analysis and is not a required part of the basic financial statements of the College. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated March 8, 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.

Sincerely,

Pat McCarthy

Pat McCarthy
State Auditor
Olympia, WA

Management's Discussion and Analysis

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

Reporting Entity
Olympic College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 11,735 students. The College confers bachelor's degrees, associate's degrees, certificates and high school diplomas. The College was established in 1946 and its primary purpose is to enrich our diverse communities through quality education and support so students achieve their educational goals.

The College's main campus is located in Bremerton, Washington, a community of about 37,729 residents. The College also has operations in Poulsbo and Shelton. The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state Senate. In accordance with Washington State law governing technical colleges, the College's board includes one member from business and one member from labor. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements
The financial statements presented in this report encompass the College and its discretely presented component units, the Olympic College Foundation and the John Bremer and Edward Bremer Consolidated Trust. The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2018. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year; July 1, 2017 through June 30, 2018. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are reported under the accrual basis of accounting where all of the current year's revenues and expenses are taken into account regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies.

These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

During 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB).* This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one year lag measurement date similar to GASB Statement No. 68. The OPEB liability represents the state of Washington's financial obligation to provided subsidized medical, dental, life insurance and long-term disability insurance to eligible retired state employees and their spouses. Providing other postemployment benefits is part of employee compensation; therefore the State incurs the obligation to pay those benefits at the time the employees provide their services. The change in accounting principle resulted in an adjustment to beginning net position in the amount of ($24.800) million as well as a $21.909 million increase in liabilities.

Financial Highlights

The College's financial position as of June 30, 2018, reflects an overall decrease over the previous year due to implementation of a new accounting standard GASB Statement No. 75. In the current year:

- Assets increased by $12.598 million to end the year at $180.870 million.
- Liabilities increased by $20.311 million to end the year at $40.566 million.
- Net position, which is the residual of assets and deferred outflows after deducting liabilities and deferred inflows, decreased $13.425 million to end the year at $135.307 million.

Other significant changes were as follows:

- Operating revenues totaled $38.666 million, an increase of $2.510 million.
- Operating expenses totaled $70.424 million, an increase of $2.304 million.
- Nonoperating revenues, net of nonoperating expenses, totaled $29.780 million, a decrease of $ 193 thousand.
- Capital appropriations and contributions totaled $12.261 million, a decrease of $15.239 million.

Statement of Net Position

The Statement of Net Position provides information about the College's financial position, and presents all of the College's assets, deferred outflows, liabilities, and deferred inflow, with the difference reported as net position. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30th	2018	2017
Assets		
Current Assets	$ 35,934,746	$ 31,275,049
Capital Assets, net	144,536,188	136,596,957
Other Assets, noncurrent	400,000	400,000
Total Assets	**180,870,934**	**168,272,006**
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	1,405,768	1,728,664
Deferred Outflows Related to OPEB	346,733	-
Total Deferred Outflows	**1,752,501**	**1,728,664**
Liabilities		
Current Liabilities	9,310,795	6,182,526
Noncurrent Liabilities	31,255,707	14,072,334
Total Liabilities	**40,566,502**	**20,254,860**
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	2,242,091	1,013,368
Deferred Inflows Related to OPEB	4,507,600	-
Total Deferred Inflows	**6,749,691**	**1,013,368**
Net Position		
Net Investment in Capital Assets	144,242,069	136,161,990
Restricted	591,429	689,257
Unrestricted	(9,526,257)	11,881,195
Total Net Position	**$ 135,307,241**	**$ 148,732,442**

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The increase of current assets in FY 2018 can be attributed an increase in cash and cash equivalents offset partially by a slight decrease in accounts receivable and increase of operating revenue from state and local grants and contracts.

Net capital assets increased by $6.848 million or 5% from FY 2017 to FY 2018. After taking into consideration current depreciation expense of $4.346 million, the majority of this increase is related to the capital asset addition of the College Instruction Center (CIC) building in Bremerton. The CIC building opened to students and staff January of 2018 and was funded through a state capital appropriation. The Bremerton campus had, in addition to the CIC building, a Parking Mitigation project and an Energy Savings project to replace the boiler system. The College also has a HVAC upgrade project at the Shelton campus.

Deferred outflows of resources and deferred inflows of resources represent pension-related deferrals associated with the implementation of GASB Statement No. 68 in FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018. The increase in deferred outflows reflect the College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded $1.728 million in FY 2017 and $1.752 million in FY 2018 of pension and postemployment-related deferred outflows. The increase reflects the change in proportionate share.

Similarly, the increase in deferred inflows in 2018 reflects the increase in difference between actual and projected investment earnings on the state's pension plans and also the implementation of GASB Statement No. 75. The College recorded $1.013 million in FY 2017 and $6.750 million in FY 2018 of pension and postemployment-related deferred inflows. The majority of the $5.737 million increase is due to the $4.508 million deferred inflow recorded for GASB Statement No. 75.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, certificate of participation (COP) debt due within one year for a 2010 energy efficiency project, unearned revenue and current portion of long-term liabilities. 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.

Current liabilities increased $3.128 million or 51% from FY 2017 to FY 2018. This significant increase is due primarily to the implementation of GASB Statement No. 75, reflecting the College's proportionate share of the postemployment benefit current liability for state's OPEB. In addition, the College had a slight increase in accounts payable and in unearned revenue.

Noncurrent liabilities consist of the value of vacation and sick leave earned but not yet used by employees, certificates of participation debt due in more than one year, pension liability and OPEB liability. The College's noncurrent liabilities increased $17.183 million or 122%. Of this increase, $19.758 million is due to the implementation of GASB Statement No. 75, reflecting the College's proportionate share of the postemployment benefit liability for state's OPEB. The changes in noncurrent liabilities also includes a decrease of $1.998 million of the College's proportionate share in the state-wide amounts reported by the DRS.

Net position represents the value of the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The largest portion of the College's net position is the Net investment in Capital assets which increased $8.080 million or 6% from FY 2017 to FY 2018. The restricted component of net position consists of amounts for institutional financial aid and an endowment. Unrestricted net position was significantly impacted due to the implementation GASB Statement No. 75. The unrestricted net position decreased $21.407 million or 180%. The implementation of GASB Statement No. 75 resulted in the College reporting a negative unrestricted net position of $9.526 million.

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

A condensed comparison of the College's revenues, expenses and changes in net position for the years ended June 30, 2018 and 2017 is presented below.

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

	2018	2017
Operating Revenues		
Student tuition and fees, net	21,201,406	20,110,397
Auxiliary enterprise sales	3,876,374	3,968,439
State and local grants and contracts	11,960,168	10,523,367
Federal grants and contracts	806,220	817,230
Other operating revenues	822,120	736,335
Total operating revenues	**38,666,288**	**36,155,769**
Operating Expenses		
Salaries and wages	29,086,499	28,106,705
Benefits	10,706,483	9,769,932
Scholarships, net of discounts	12,745,514	12,782,921
Depreciation	4,346,948	3,889,837
Other operating expenses	13,539,206	13,571,063
Total operating expenses	**70,424,649**	**68,120,458**
Operating Income (Loss)	**(31,758,361)**	**(31,964,689)**
Nonoperating Revenues (Expenses)		
State appropriations	24,855,043	24,881,643
Federal Pell grant revenue	6,866,414	7,115,369
Investment income	241,122	126,220
Other nonoperating revenues (expenses)	(2,181,652)	(2,149,135)
Net nonoperating revenues (expenses)	**29,780,927**	**29,974,097**
Income or (loss) before capital contributions	**(1,977,434)**	**(1,990,592)**
Capital appropriations and contributions	**12,261,203**	**27,500,483**
Change in Net position	**10,283,769**	**25,509,891**
Net Position		
Net position, beginning of year	148,732,442	128,809,154
Cumulative effect of change in accounting principle	(24,799,550)	(3,756,336)
Prior Period Adjustments	1,090,580	(1,830,267)
Net position, beginning of year, as restated	125,023,472	123,222,551
Net position, end of year	**135,307,241**	**148,732,442**

As of July 1, 2017, net position as previously reported was restated. The College's net position was increased by $1.090 million to correct the prior year's reporting of a change in capital asset valuation. This resulted in an understatement of the ending net position for FY 2017. This correction has been correctly reported in the FY 2018 statements. The prior period adjustment in

FY 2017 corrected previously reported compensated absences, change in library resources valuation and Vendor Payment Advance repayment recorded as a receivable.

Revenues

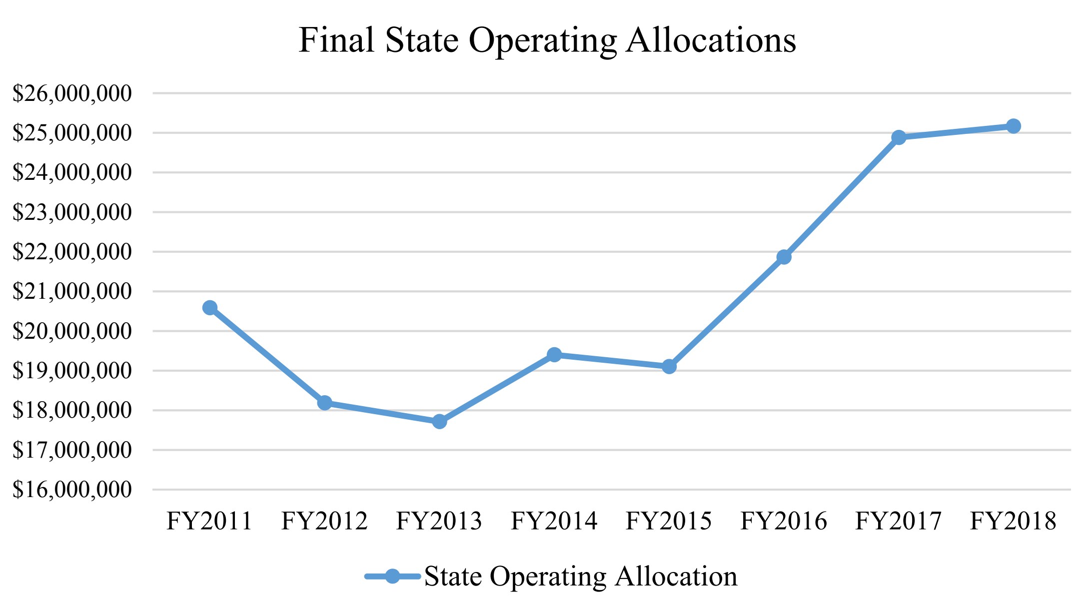
In FY 2018, the College's increase in tuition and fee revenue of $1.091 million or 5%, is primarily attributed to increased enrollment in Applied Baccalaureate programs at 12%, WorkFirst program at 14% and Worker Retraining program at 6%.

In FY 2018, grant and contract revenues increased by $1.425 million when compared with FY 2017. This increase is mainly attributed to an increase in Running Start enrollment of 17% as compared to FY 2017. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College continued to serve students under the terms of contracted programs.

Pell grant revenues, a need based grant, slightly decreased during FY 2018 by $249 thousand or 3%. For FY 2018, the College attempted to keep other fees as stable as possible, resulting in only small changes in these revenues. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law.

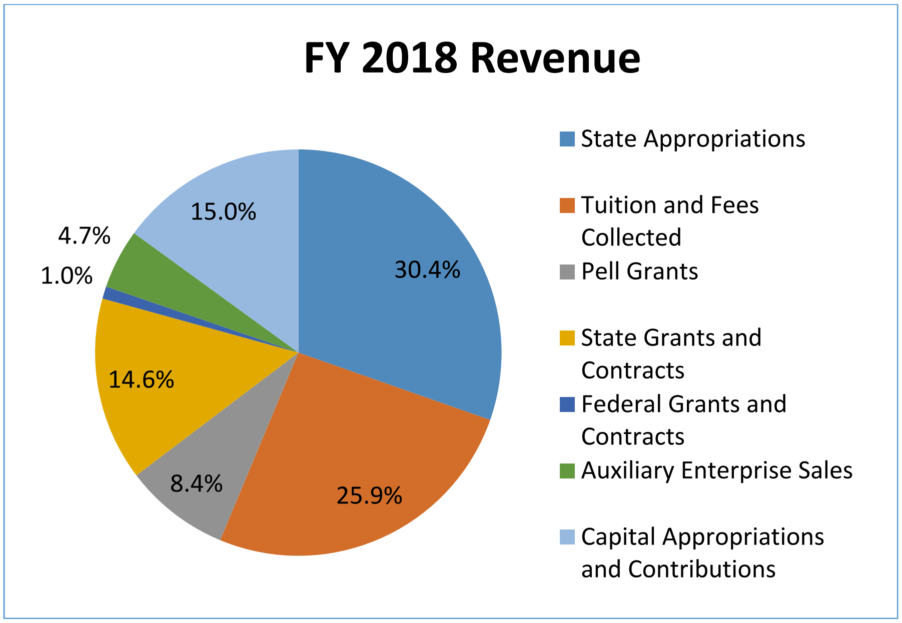
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the 30 college's based on 3 year average FTE actuals. Additionally, the Supplemental Budget also reduced the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation will continue in FY 2019.

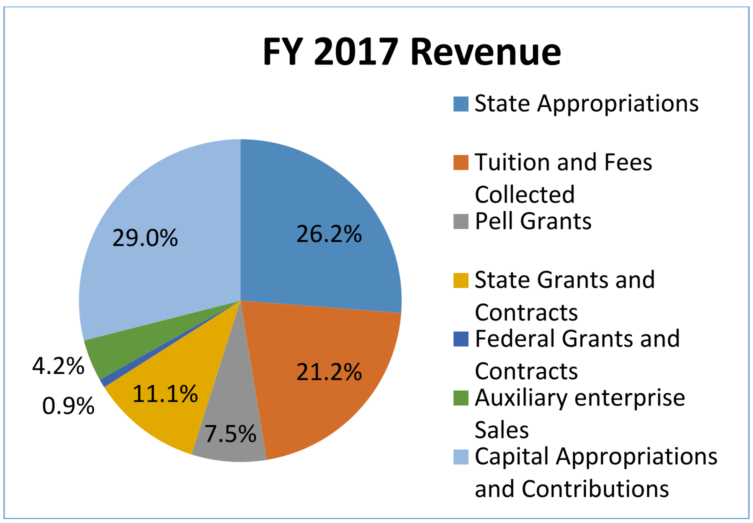
In FY 2017, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. This reduced the amount of tuition revenue collected by the College. The Legislature did however backfill a portion of this loss as seen in the graph below.



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

The charts below show the percentage of each revenue by source for FY 2018 and FY 2017.

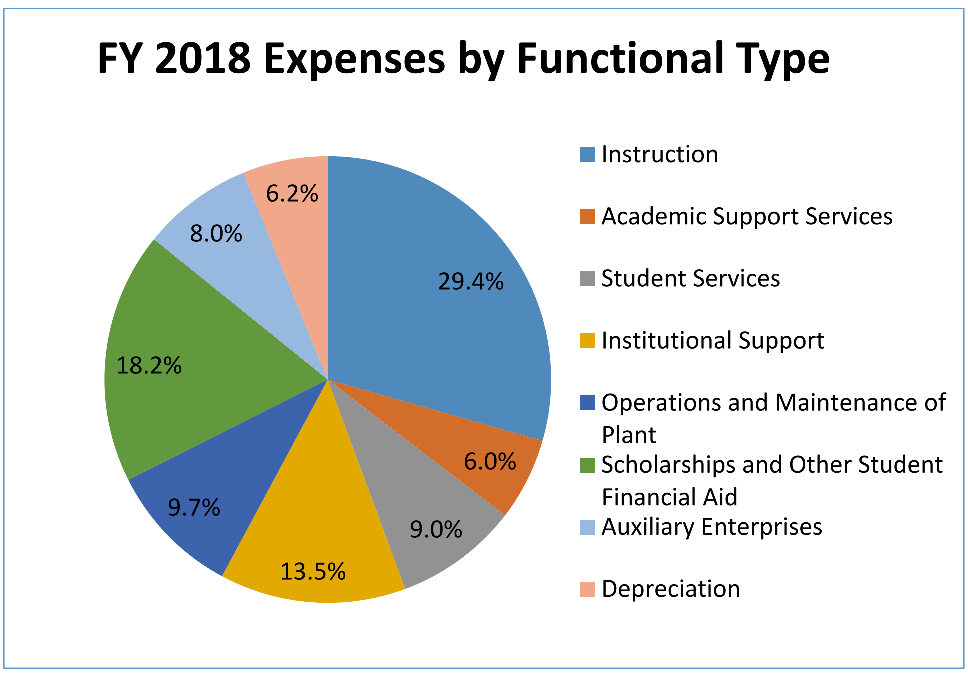


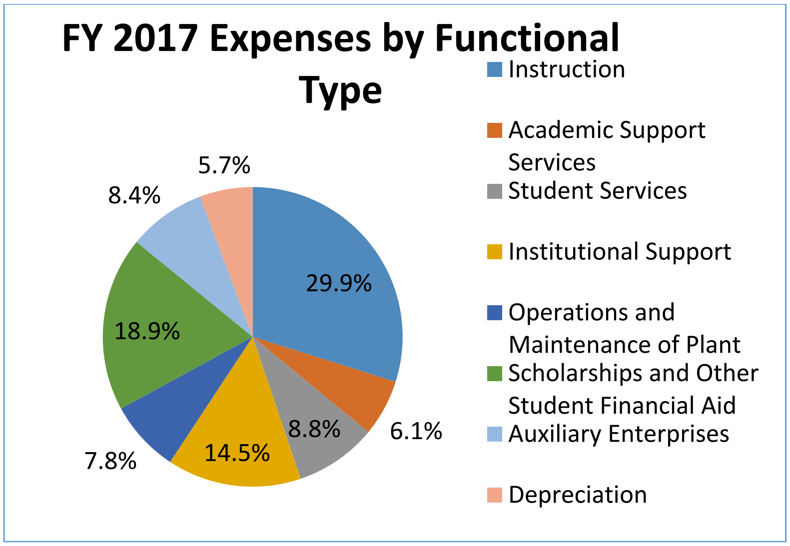


Expenses
In FY 2018, salary costs increased $979 thousand or 3% as a result of the 2% salary increase by the Legislature. Also, the benefit costs increased $936 thousand or 10% as result increased costs for healthcare.

Purchased services decreased $578 thousand or 25%, primarily as a result of a reduced spending related to capital projects. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs. These fluctuations are to be expected. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service. Other costs reported as operating expense include items such as travel, employee training, non-capitalized equipment, software, printing and other supplies.

The charts below show the percentage of each functional area of operating expenses for FY 2018 and FY 2017.





Capital Assets and Long-Term Debt Activities
The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed.

At June 30, 2018, the College had $144.536 million in capital assets, net of accumulated depreciation. This represents an increase of $6.848 million or 5% from last year, as shown in the table below.

Asset Type	June 30, 2018	June 30, 2017	Change
Land	$ 11,752,445	$ 11,726,945	$ 25,500
Construction-in-Progress (as restated)	419,438	40,144,879	(39,725,442)
Buildings, net	120,251,553	75,806,323	44,445,230
Other Improvements and Infrastructure, net	9,567,410	8,164,800	1,402,610
Equipment, net	2,342,538	1,606,961	735,577
Library Resources, net	202,804	237,629	(34,825)
Total Capital Assets, Net	**$ 144,536,188**	**$ 137,687,537**	**$ 6,848,650**

Capital asset activity is disclosed in Note 6.

The increase in net capital assets can be attributed to the construction costs of the College Instruction Center (CIC) building which was placed into service January 2018. The CIC is a multi-purpose facility that will benefit students, faculty, staff and our community. This project is a 70,000 square-foot building which includes space for Health Occupations programs like Nursing and Physical Therapy Assistant and Art, Music and Theatre programs. The HVAC Upgrades project in Shelton is the capital project that was in process on June 30, 2018.

At June 30, 2018, the College had $294 thousand in outstanding debt. The College entered into a certificate of participation (COP) in 2010 for energy enhancements. The College has no capital leases at this time.

Long-Term Debt		**June 30, 2018**		**June 30, 2017**		**Change**
Certificates of Participation		294,119		434,967		(140,848)
Total	**$**	**294,119**	**$**	**434,967**	**$**	**(140,848)**

See Note 10 for additional information on certificates of participation and Note 11 on long-term liabilities.

Economic Factors That May Affect the Future

In FY 2017, the State Board for Community and Technical College's elected to move to a new allocation model, changing how state allocated funds are distributed to each college. This model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state.

Due to a potential decrease in enrollment, it is expected that the College along with all Washington State community and technical colleges, will likely see a decrease in state operating appropriations in future years. The College is ultimately subject to the same economic variables that affect other entities but continues to "pursue enriching our diverse communities through quality education and support to allow students to achieve their educational goals". Initiatives planned for FY 2019 to address any potential declines in enrollment include Achieving the Dream, Strategic Enrollment Management and Guided Pathways.

Olympic College
Statement of Net Position
June 30, 2018

Assets		
Current Assets		
Cash and Cash Equivalents	$	25,888,581
Restricted Cash and Cash Equivalents		206,573
Accounts Receivable, Net		9,392,815
Inventories		446,778
Total Current Assets		**35,934,746**
Noncurrent Assets		
Restricted Cash and Cash Equivalents		400,000
Capital Assets, Not Being Depreciated		12,171,883
Capital Assets, Net of Accumulated Depreciation		132,364,305
Total Noncurrent Assets		**144,936,188**
Total Assets		**180,870,934**
Deferred Outflows of Resources		
Deferred Outflows, Related to Pensions		1,405,768
Deferred Outflows, Related to OPEB		346,733
Total Deferred Outflows of Resources		**1,752,501**
Liabilities		
Current Liabilities		
Accounts Payable		932,535
Accrued Liabilities		3,506,674
Unearned Revenue		2,283,376
Certificates of Participation, Due Within One Year		144,949
Compensated Absences, Current Portion		240,843
Total Pension Liability, Current Portion		51,701
OPEB Liability, Current Portion		2,150,716
Total Current Liabilities		**9,310,795**
Noncurrent Liabilities		
Certificates of Participation, Due in More Than One Year		149,170
Compensated Absences		2,904,696
Net Pension Liability		5,671,970
Total Pension Liability		2,771,012
OPEB Liability		19,758,860
Total Noncurrent Liabilities		31,255,707
Total Liabilities		**40,566,502**
Deferred Inflows of Resources		
Deferred Inflows, Related to Pensions		2,242,091
Deferred Inflows, Related to OPEB		4,507,600
Total Deferred Inflows of Resources		6,749,691
Net Position		
Net Investment in Capital Assets		144,242,069
Restricted for:		
Nonexpendable		400,000
Expendable		191,429
Unrestricted (deficit)		(9,526,257)
Total Net Position	$	**135,307,241**

The Notes to the Financial Statements are an integral part of this statement.

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

Operating Revenues		
Student Tuition and Fees, Net	$	21,201,406
Auxiliary Enterprise Sales, Net		3,876,374
State and Local Grants and Contracts		11,960,168
Federal Grants and Contracts		806,220
Other Operating Revenues		822,120
Total Operating Revenues		**38,666,288**
Operating Expenses		
Operating Expenses		7,032,070
Salaries and Wages		29,086,499
Employee Benefits		10,706,483
Scholarships and Fellowships		12,745,514
Supplies and Materials		3,640,914
Depreciation		4,346,948
Purchased Services		1,750,217
Utilities		1,116,005
Total Operating Expenses		**70,424,649**
Operating Income (Loss)		**(31,758,361)**
Nonoperating Revenues (Expenses)		
State Appropriations		24,855,043
Federal Pell Grant Revenue		6,866,414
Investment Income		241,122
Building Fee Remittance		(1,707,001)
Innovation Fund Remittance		(446,761)
Interest on Indebtedness		(11,564)
Loss on Capital Asset Disposition		(16,326)
Total Nonoperating Revenues (Expenses)		**29,780,927**
Income (Loss) before Capital Appropriations and Contributions		**(1,977,434)**
Capital Appropriations		11,492,869
Capital Contributions		415,363
Noncash Capital Contributions		352,971
Change in Net Position		**10,283,769**
Net Position, Beginning of Year		**148,732,442**
Cumulative Effect of Change in Accounting Principle		(24,799,550)
Prior Period Adjustment (See Note 2)		1,090,580
Net Position, Beginning of Year, As Restated		**125,023,472**
Net Position, End of Year	**$**	**135,307,241**

The Notes to the Financial Statements are an integral part of this statement.

Olympic College
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flow from Operating Activities		
Student tuition and fees	$	21,350,397
Grants and contracts		11,163,103
Payments to vendors		(4,608,621)
Payments for utilities		(1,088,052)
Payments to employees		(28,959,857)
Payments for benefits		(10,051,213)
Auxiliary enterprise sales		3,816,978
Payments for scholarships and fellowships		(12,745,514)
Other receipts (payments)		(7,743,983)
Net cash used by operating activities		**(28,866,760)**
Cash Flow from Noncapital Financing Activities		
State appropriations		25,146,141
Pell grants		6,866,414
Building fee remittance		(1,563,768)
Innovation fund remittance		(433,547)
Net cash provided by noncapital financing activities		**30,015,239**
Cash Flow from Capital and Related Financing Activities		
Capital appropriations		15,354,048
Capital contributions		415,363
Purchases of capital assets		(10,858,954)
Principal paid on capital debt		(140,848)
Interest paid		(11,564)
Net cash used by capital and related financing activities		**4,758,045**
Cash Flow from Investing Activities		
Income of investments		241,122
Net cash provided by investing activities		**241,122**
Net Decrease in Cash and Cash Equivalents	**$**	**6,147,646**
Cash and cash equivalents at the beginning of the year	**$**	**20,347,507**
Cash and cash equivalents at the end of the year	**$**	**26,495,154**

The Notes to the Financial Statements are an integral part of this statement.

Olympic College
Statement of Cash Flows
For the Year Ended June 30, 2018

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating Loss	**$**	**(31,758,361)**
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense		4,346,948
Pension liability expense adjustment		(640,882)
OPEB liability expense adjustment		1,270,893
Decreases (increases) in assets:		
Accounts Receivables, net		(3,297,845)
Inventories		350,263
Other assets		1,151
Increases (decreases) in liabilities:		
Accounts payable		296,740
Accrued liabilities		260,852
Unearned revenue		248,972
Compensated absences		54,508
Deposits Payable		-
Loans to students and employees		-
Net cash used by operating activities	$	(28,866,760)

Noncash Capital Activities	
Contribution of Equipment	350,000
Contribution of Library Resources	2,971

The Notes to the Financial Statements are an integral part of this statement.

OLYMPIC COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	$ 608,165	$ 500,889
Pledges receivable, current portion	51,991	26,228
Prepaid expenses	11,026	328
Total current assets	671,182	527,445
Endowment Investments	15,100,684	13,838,532
Pledges Receivable, net of current portion	50,000	70,000
Computers and Equipment, net of accumulated depreciation	326	980
Total assets	$ 15,822,192	$ 14,436,957

LIABILITIES AND NET ASSETS	2018	2017
Current Liabilities		
Accounts payable	$ 630	$ 1,264
Scholarships payable	419,881	397,830
Programs payable	116,669	44,207
Deferred revenue	14,401	8,500
Total liabilities	551,581	451,801
Net Assets		
Unrestricted		
Undesignated	33,232	95,691
Board-designated	676,513	709,662
Total unrestricted net assets	709,745	805,353
Temporarily restricted	3,770,813	3,899,579
Permanently restricted	10,790,053	9,280,224
Total net assets	15,270,611	13,985,156
Total liabilities and net assets	$ 15,822,192	$ 14,436,957

OLYMPIC COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Contributions and bequests	$ 91,632	$ 133,478	$ 41,532	$ 266,642	$ 40,389	$ 126,860	$ 184,809	$ 352,058
Special event proceeds	232,453	-	-	232,453	155,785	-	-	155,785
Less: direct benefit to donors	(114,910)	-	-	(114,910)	(50,625)	-	-	(50,625)
In-kind contributions	244,799	-	-	244,799	460,571	-	-	460,571
Investment earnings, net	191,201	595,111	-	786,312	358,050	1,038,025	-	1,396,075
Net assets released from restriction	883,378	(883,378)	-	-	674,597	(674,597)	-	-
Total support and revenue	1,528,553	(154,789)	41,532	1,415,296	1,638,767	490,288	184,809	2,313,864
Expenses								
Program service	1,598,704	-	-	1,598,704	948,801	-	-	948,801
Management and general	209,873	-	-	209,873	165,847	-	-	165,847
Fundraising	192,930	-	-	192,930	226,558	-	-	226,558
Total expenses	2,001,507	-	-	2,001,507	1,341,206	-	-	1,341,206
Total change in net assets before campaign contributions and expenditures	(472,954)	(154,789)	41,532	(586,211)	297,561	490,288	184,809	972,658
Campaign Contributions	479,488	26,023	1,468,297	1,973,808	-	-	-	-
Less: Campaign Expenditures	(102,142)	-	-	(102,142)	(140,175)	-	-	(140,175)
Change in net assets	**(95,608)**	**(128,766)**	**1,509,829**	**1,285,455**	**157,386**	**490,288**	**184,809**	**832,483**
Net Assets, beginning of year	805,353	3,899,579	9,280,224	13,985,156	647,967	3,409,291	9,095,415	13,152,673
Net Assets, end of year	$ 709,745	$ 3,770,813	$ 10,790,053	$ 15,270,611	$ 805,353	$ 3,899,579	$ 9,280,224	$ 13,985,156

OLYMPIC COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 1,285,455	$ 832,483
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	654	654
Contributions restricted for investment in endowment	(1,509,829)	(184,809)
Realized and unrealized gain on investments	(490,790)	(1,238,225)
Changes in operating assets and liabilities		
Pledges receivable	(5,763)	(87,519)
Prepaid expenses	(10,698)	(328)
Accounts payable	(634)	(9,963)
Scholarships payable	22,051	16,253
Programs payable	72,462	(64,245)
Deferred revenue	5,901	5,500
Net cash flows from operating activities	(631,191)	(730,199)
Cash Flows from Investing Activities		
Investment purchases	(1,877,116)	(342,659)
Proceeds from investment sales	1,105,754	864,809
Net cash flows from investing activities	(771,362)	522,150
Cash Flows from Financing Activity		
Contributions restricted for investment in endowment	1,509,829	184,809
Change in cash and cash equivalents	**107,276**	**(23,240)**
Cash and Cash Equivalents, beginning of year	500,889	524,129
Cash and Cash Equivalents, end of year	$ 608,165	$ 500,889

JOHN BREMER EDWARD BREMER CONSOLIDATED TRUST
STATEMENTS OF FINANCIAL POSITION
December 31, 2017
With Comparative Totals as of December 31, 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 261,293	$ 99,718
Investments	21,831,187	19,847,252
Rent receivable	3,498	160,457
Deferred rent receivable	12,989	6,936
Federal income tax receivable	-	1,176
Prepaid expenses	48,566	57,298
Current portion of note receivable	4,000	-
Total current assets	22,161,533	20,172,837
PROPERTY AND EQUIPMENT		
Land	1,518,914	1,728,914
Buildings, fixtures and equipment	10,610,624	12,221,701
Construction in progress	14,824	14,824
	12,144,362	13,965,439
Less accumulated depreciation	(5,462,238)	(6,821,250)
Total property and equipment, net	6,682,124	7,144,189
NOTE RECEIVABLE, net of current portion	14,333	-
Total assets	$ 28,857,990	$ 27,317,026

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts payable	$ 37,248	$ 37,635
Property tax payable	110,892	110,976
Refundable security deposits	13,025	11,100
Income tax payable	1,375	-
Demand note facility	333,000	2,000,272
Total current liabilities	495,540	2,159,983
LONG-TERM DEBT - demand note facility	655,904	-
NET ASSETS		
Net assets, temporarily restricted	27,706,546	25,157,043
Total liabilities and net assets	$ 28,857,990	$ 27,317,026

The Notes to the Financial Statements are an integral part of this statement.

JOHN BREMER EDWARD BREMER CONSOLIDATED TRUST
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
REVENUES				
Rental	$ -	$ 909,144	$ 909,144	$ 805,512
Interest	-	46,068	46,068	40,531
Dividends	-	457,416	457,416	457,659
Miscellaneous income	-	15,345	15,345	4,223
Gain on sale of real estate	-	569,004	569,004	-
Net realized gain on investments	-	932,081	932,081	314,163
Net unrealized loss on investments	-	2,011,711	2,011,711	788,628
Assets released from restrictions	2,391,266	(2,391,266)	-	-
Total revenues	2,391,266	2,549,503	4,940,769	2,410,716
EXPENSES				
General and administrative	1,202,983	-	1,202,983	1,149,625
Distributions to Olympic College	1,188,283	-	1,188,283	192,567
Total expenses	2,391,266	-	2,391,266	1,342,192
CHANGE IN NET ASSETS	-	2,549,503	2,549,503	1,068,524
NET ASSETS				
Beginning of year	-	25,157,043	25,157,043	24,088,519
End of year	$ -	$ 27,706,546	$ 27,706,546	$ 25,157,043

The Notes to the Financial Statements are an integral part of this statement.

JOHN BREMER EDWARD BREMER CONSOLIDATED TRUST
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 2,549,503	$ 1,068,524
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	257,113	262,987
Gain on sale of real estate	(569,004)	-
Realized gain on investments	(932,081)	(314,163)
Unrealized gain on investments	(2,011,711)	(788,628)
Decrease (increase) in:		
Rent receivable	156,959	13,547
Deferred rent receivable	(6,053)	564
Federal income tax receivable	1,176	783
Prepaid expenses	8,732	1,865
Increase (decrease) in:		
Accounts payable	(387)	(3,975)
Property taxes payable	(84)	(25,782)
Refundable security deposits	1,925	2,986
Income tax payable	1,375	-
Contributions payable to Olympic College	-	(77,002)
Net cash (used) provided by operating activities	(542,537)	141,706
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,842,260)	(6,215,296)
Proceeds from sale of investments	6,802,117	6,208,929
Proceeds from sale of real estate	928,002	
Purchases of property and equipment	(154,046)	(297,676)
Issuance of note receivable	(20,000)	
Payments collected on notes receivable	1,667	
Net cash provided (used) by investing activities	1,715,480	(304,043)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on demand note facility	(5,182,278)	-
Proceeds from issuance of demand note facility	4,170,910	-
Net cash used by financing activities	(1,011,368)	-
Increase (decrease) in cash and cash equivalents	161,575	(162,337)
Cash & cash equivalents, beginning of year	99,718	262,055
Cash & cash equivalents, end of year	$ 261,293	$ 99,718

The Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

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

1. Summary of Significant Accounting Policies

The financial statements of Olympic College have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). For financial reporting purposes, the College is considered a special-purpose government engaged only in Business Type Activities (BTA). Following is a summary of the significant accounting policies.

Reporting Entity

Olympic College (the College) is an agency of the State of Washington. The financial activity of the College is included as part of the entire community and technical college system in the State's Comprehensive Annual Financial Report (CAFR). Olympic College is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers bachelor's degrees, associates degrees, certificates, and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate.

The Olympic College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1993 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to support student success and program excellence at Olympic College by promoting and receiving philanthropic gifts for the benefit of Olympic College, including student scholarships, program enhancements, professional development, equipment, capital projects, cultural events and activities that enrich the entire college community. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the College or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. Component units are reported as part of the reporting entity under either the blended or the discrete method of presentation. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report and have been prepared in accordance with generally accepted accounting principles in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2018, the Foundation distributed approximately $420,147 to the College for scholarships related to tuition and fees. A copy of the Foundation's complete financial statements may be obtained from the Executive Director of the Foundation, Olympic College, 1600 Chester Avenue, Bremerton, WA 98337 or by calling (360) 475-7120.

The College is the beneficiary of the John Bremer and Edward Bremer Consolidated Trust. On January 1, 1987, the Estate of Ed Bremer and the John Bremer Residuary Trust formed Bremers

Partnership by each contributing property. On January 1, 1988, the assets of the Estate were transferred into the Trust. The endowments of the Trust require that the trustee distribute a minimum of 50% of the change in net assets, adjusted for capital gains or losses, to Olympic College on an annual basis. The Bremer Trust financial statements are discretely presented in this report. The Trust's statements have been prepared in accordance with generally accepted accounting principles in the United States of America. Intra-entity transactions and balances between the College and the Bremer Trust are not eliminated for financial statement presentation. During the fiscal year ended, the Trust distributed $1,188,283 to the College. A copy of the Trust's complete financial statements may be obtained from Sarah Andresen, Hearthstone CPA Group, 4312 Kitsap Way, Suite 102, Bremerton, WA 98312.

Basis of Accounting

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

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

Cash, Cash Equivalents and Investments

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

Restricted Assets

Certain cash and cash equivalent funds are classified as restricted assets if their use is legally or contractually prohibited and such use limitations are externally imposed by creditors, contractual or funding source agreements, or legislation. The assets held in these accounts are restricted for specific uses. These are classified as current or noncurrent assets, as appropriate.

Notes to the Financial Statements

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

Inventories
Inventories, consisting primarily of merchandise for resale in the College bookstore and course-related supplies; cost is determined using first-in, first-out method (FIFO).

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, per acquisition value at the date of the gift. 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, assets are capitalized as follows:

- All land
- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a unit cost of $100,000 or more
- Intangible assets and software with a unit cost of $1,000,000 or more
- All other capital assets with a unit cost of $5,000 or greater, or collections with a total cost of $5,000 or greater

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 (OFM). 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.

See Note 6 for the capital asset components, balances and activity for the fiscal year.

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. The College has recorded summer and fall quarter tuition and fees as unearned revenues, as well as prepayments for other quarters.

Notes to the Financial Statements

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.

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense in accordance with GASB Statement No. 68, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. 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. See Note 14 for more details.

The College also reports its share of the total pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense for the State Board Retirement Plan in accordance with GASB Statement No. 73. The reporting requirements are similar to GASB Statement No. 68 but use current fiscal yearend as the measurement date for reporting the pension liabilities. See Note 15 for more details.

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. See Note 16 for more details.

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

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

See Notes 13 through 16 for more details.

Net Position
The College's net position is classified as follows:

- **Net Investment in Capital Assets** – The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and any outstanding debt obligations related to those capital assets.
- **Restricted for Nonexpendable –** 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 principal.

- **Restricted for Expendable –** Includes resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties on the use of the asset. The primary expendable funds for the College are student loans, and the expendable portion of endowments.
- **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.

Classification of Revenues and Expenses

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

Operating Revenues. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts. The grants and contracts support the operational/educational activities of the College. Examples include a contract with the Office of the Superintendent of Public Instruction (OSPI) to offer Running Start and the Adult Basic Education (ABE) grant that supports the primary educational mission of the College.

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

Nonoperating Revenues. This includes activities that have the characteristics of non-exchange transactions, such as state appropriations, Pell Grants received from the federal government, investment income and gifts and contributions.

Nonoperating Expenses. Nonoperating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on the certificate of participation loan.

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 nonoperating 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 $567,492.

Notes to the Financial Statements

State and Capital Appropriations
The state of Washington appropriates funds to the College on both an annual and biennial basis. State appropriations are reported as nonoperating revenues and State capital appropriations are reported as capital contributions on the Statements of Revenues, Expenses, and Changes in Net Position, and both are recognized when the related expenses are incurred.

Building and Innovation Fee Remittance
Tuition collected includes amounts that have been remitted for the Building Fee and Innovation Fee to the Washington Office of 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 35^{th} calendar day of each quarter.

The Innovation Fee was established in order to fund the State Board of Community and Technical College's (SBCTC) Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the nonoperating revenues and expenses section of the Statement of Revenues, Expenses and Changes in Net Position.

2. Accounting and Reporting Changes

Change in Accounting Principle
In June 2015, the GASB issued Statement No. 75. 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, the College has a deficit unrestricted net position of ($9,526,257). 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.

The College recorded a cumulative effect of change in accounting principle adjustment to beginning net position as previously reported of ($24,799,550) as a result of implementing GASB Statement No. 75.

Construction-in-Progress

The Construction-in-progress reported in the prior year's financial statements was understated due to an error in the balance reported in the first year (FY 2014) that the institution-level financial statements were prepared by the College. The error was discovered during the cost reconciliation process performed upon implementation of new capital asset software. This process identified an additional error that off-set the original understatement. The correction of this error resulted in a prior period adjustment to the beginning net position as previously reported of $1,090,580.

Net position, beginning of year, as restated

Beginning net position as previously reported at June 30, 2018	$148,732,442
Cumulative Effect of Change in Accounting Principle	(24,799,550)
Prior period adjustment, Construction-in-Progress understatement	1,090,580
Net position, beginning of year, restated	$125,023,472

Accounting Standards Impacting the Future

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

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

3. Cash and Investments

Cash and cash equivalents include bank demand deposits, change funds held at the College and unit shares in the Local Government Investment Pool (LGIP).

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost, which approximates fair value. The LGIP is managed and operated by the Washington Office of the State Treasurer. The LGIP is an unrated external investment pool. The LGIP portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB Statement No. 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The College can contribute or withdraw funds in any amount from the LGIP on a daily basis. The College adjusts its LGIP investment amounts monthly to reflect interest earnings as reported from the State Treasurer.

For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or online at: https://tre.wa.gov. 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.

As of June 30, 2018, the carrying amount of the College's cash and equivalents was $26,495,154 as represented in the table below.

Cash and Cash Equivalents	**June 30, 2018**
Change Funds	$ 9,650
Bank Demand and Time Deposits	5,923,780
Local Government Investment Pool	20,561,723
Total Cash and Cash Equivalents	**$ 26,495,154**

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 U.S. Bank. All cash and equivalents, except for change funds 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).

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	$ 3,011,414
Due from the Federal Government	963,387
Due from Other State Agencies	2,978,574
Auxiliary Enterprises	99,640
Due from Local Governments	3,004,290
Total Accounts Receivable	10,057,306
Less Allowance for Uncollectible Accounts	(664,491)
Accounts Receivable, net	**$ 9,392,815**

5. Inventories

Inventories, stated at cost using FIFO, consisted of the following as of June 30, 2018:

Inventories	Amount
Merchandise	$ 446,778
Total Inventories	**$ 446,778**

Notes to the Financial Statements

6. Capital Assets

Capital Asset activity for the year ended June 30, 2018 was as follows. The current year depreciation expense was $4,346,948.

Capital Assets	Beginning Balance 6/30/2017	Increases	Decreases	Ending Balance 6/30/2018
Capital assets, not being depreciated:				
Land	$ 11,726,945	$ 25,500	$ -	$ 11,752,445
Construction-in-progress (beginning balance restated)	40,144,879	9,885,607	(49,611,048)	419,438
Total capital assets, not being depreciated	**51,871,824**	**9,911,107**	**(49,611,048)**	**12,171,883**
Capital assets, being depreciated:				
Buildings	107,944,665	47,425,270	(1,769,001)	153,600,934
Other improvements and infrastructure	14,692,582	2,181,187	(330,034)	16,543,735
Equipment	7,618,474	1,278,467	0	8,896,941
Library resources	695,444	47,851	(120,697)	622,598
Total capital assets, being depreciated	**130,951,165**	**50,932,775**	**(2,219,732)**	**179,664,208**
Less accumulated depreciation for:				
Buildings	(32,138,343)	(2,943,153)	1,732,114	(33,349,382)
Other improvements and infrastructure	(6,527,781)	(778,577)	330,034	(6,976,324)
Equipment	(6,011,513)	(542,890)	0	(6,554,403)
Library resources	(457,815)	(82,676)	120,697	(419,794)
Total accumulated depreciation	**(45,135,452)**	**(4,347,296)**	**2,182,845**	**(47,299,904)**
Total capital assets being depreciated, net	**85,815,713**	**46,585,479**	**(36,887)**	**132,364,305**
Total capital assets, net	**$ 137,687,537**	**$ 56,496,586**	**$ (49,647,935)**	**$ 144,536,188**

As disclosed in Note 2, *Accounting and Reporting changes*, the College restated the beginning balances construction-in-progress as of June 30, 2017 from the prior year's reported ending balances.

Construction-in-progress decreased by $39,725,441 from FY 2017 to FY 2018. The majority of this decrease is the result of the College Instruction Center (CIC) building being placed in service as of January 2018.

7. Accounts Payable and Accrued Liabilities

At June 30, 2018, accounts payable and accrued liabilities are as follows:

Accounts Payable and Accrued Liabilities	Amount	
Due to Other Agencies	$	2,101,198
Salaries and Benefits Payable		1,390,334
Accounts Payable		932,535
Amounts Held for Retainage		15,143
Total Accounts Payable and Accrued Liabilities	**$**	**4,439,209**

8. Unearned Revenue

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

Unearned Revenue	Amount	
Summer & Fall Quarter Tuition & Fees	$	2,270,013
Future Quarters Tuition & Fees	$	13,363
Total Unearned Revenue	**$**	**2,283,376**

9. Compensated Absences

The accrued leave liability balance as of June 30, 2018 is $3,145,539. The components of this liability include vacation and sick leave earned and unused for exempt professionals, civil service employees and faculty on annual appointments.

In January of each year, an employee whose sick leave balance at the end of the previous year exceeds 480 hours may elect to convert the sick leave hours earned in the previous calendar year, minus those hours used during the year, to monetary compensation. Monetary compensation for converted hours is paid at a rate of 25% and is based on the employee's current salary. No sick leave hours may be converted which would reduce the calendar year-end balance below 480 hours. Additionally 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. At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time.

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. An estimated amount, based on a three-year average payout, is accrued as a current liability. The remaining liability is categorized as a noncurrent liability. The accrued vacation leave totaled $1,112,583 and accrued sick leave totaled $2,032,956 at June 30, 2018.

10. Certificates of Participation

In June 2010, the College obtained financing in order to implement energy enhancements on all three campuses through a certificate of participation (COP), issued by the Washington Office of State Treasurer in the amount of $1,316,981. The financing term is 10 years and the interest rate is 2.89%. The COP outstanding as of June 30, 2018 is $294,119.

The College's annual debt service requirements to maturity for this note agreement are as follows:

Annual Debt Service Requirements			
Certificate of participation			
Fiscal year	**Principal**	**Interest**	**Total**
2019	144,950	7,462	152,412
2020	149,170	3,242	152,412
Total	**$ 294,119**	**$ 10,704**	**$ 304,823**

11. Schedule of Long-Term Liabilities

During the fiscal year ended June 30, 2018 the following changes occurred related to long-term debt obligations:

Schedule of Long-Term Liabilities	**Balance outstanding 6/30/17**	**Additions**	**Reductions**	**Balance outstanding 6/30/18**	**Current portion**
Certificates of participation	$ 434,967	$ 0	$ (140,848)	$ 294,119	$ 144,950
Compensated absences	3,091,031	1,531,067	(1,476,559)	3,145,539	240,843
Net pension liability - Pension plans held with Department of Retirement Systems	7,670,051	1,097,164	(3,095,245)	5,671,970	0
Total pension liability - Pension plans held with State Board Retirement Plan	3,017,144	989,274	(1,183,705)	2,822,713	51,701
OPEB liability - OPEB plan held with Health Care Authority (see note below)	25,179,829	1,803,983	(5,074,236)	21,909,576	2,150,716
Total Long-Term Liabilities	**$ 39,393,022**	**$ 5,421,488**	**$ (10,970,593)**	**$ 33,843,917**	**$ 2,588,210**

The beginning balance of the OPEB Liability of $25,179,829 was not presented on the prior year's reported ending balances. The liability has been presented as a beginning balance on the current year's financial statements as a result of implementing GASB Statement No. 75.

12. Operating Leases

The College is obligated under various operating leases for the use of equipment. All operating leases are with parties outside state government. Future commitments for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2018 are as follows:

Operating Leases	
Fiscal year ending	Lease Payments
2019	$ 160,521
2020	160,521
2021	160,521
2022	82,941
2023	82,941
Total minimum lease payments	$ 647,446

The College rental and lease expense totaled $414,663 in FY 2018.

13. Retirement Plans

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) plans are cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement 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 state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. The College reports its proportionate share of the total pension liability as it is a part of the college system.

In accordance with GASB Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities. The College has elected to use the current fiscal year end as the measurement date for reporting total pension liabilities in accordance with GASB Statement No. 73, for the State Board Retirement Plan. These measurement dates are in alignment with the State CAFR.

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement No. 68 and Statement No. 73 for Olympic College for the fiscal year ending June 30, 2018:

Aggregate Pension Amounts – All Plans			
	GASB 68	**GASB 73**	**Total**
Pension liabilities	$ (5,671,970)	$ (2,822,713)	$ (8,494,683)
Deferred outflows of resources	$ 1,337,536	$ 68,232	$ 1,405,768
Deferred inflows of resources	$ (1,100,481)	$ (1,141,610)	$ (2,242,091)
Pension expense/expenditures	$ 340,123	$ 57,768	$ 397,891

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.

14. Pension Plans administered by the Department of Retirement Systems

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan.

Notes to the Financial Statements

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 the 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 pension plans administered by DRS and additions to/deductions from the plans' net position have been determined in all material respects on the same basis as they are reported by the plans.

The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employee's Retirement System (PERS)
PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for fiscal year ending June 30, 2018 were as follows:

Notes to the Financial Statements

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	0.00%
Administrative Fee	0.18%	0.00%
Total	**12.70%**	**6.00%**

PERS Plan 2/3 defined benefit plan provides retirement, disability and death benefits. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the consumer price index), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for fiscal year ending June 30, 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer**	**Employee**
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	0.00%
Administrative Fee	0.18%	0.00%
Employee PERS Plan 3	0.00%	Varies 5-15%
Total	**12.70%**	**7.38%**

The College's actual PERS plan contributions were $377,288 to PERS Plan 1 and $521,337 to PERS Plan 2/3 for the year ended June 30, 2018.

Teachers' Retirement System (TRS)
TRS is comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. An individual establishes membership in the system by being employed as a teacher in the public schools. Teacher means any person who is qualified to teach and who is employed by a public school (state, school districts and educational services districts) as an instructor, administrator or supervisor. The College has 21 faculty members with pre-existing eligibility who continue to participate in TRS 1, TRS 2 and TRS 3.

TRS Plan 1 provides retirement, disability and survivor benefits. TRS 1 members were vested after the completion of five years of service credit. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent of AFC. The AFC is the average of the members two consecutive highest-paid fiscal years. Members are eligible for retirement at any age after 30 years of service credit, at the age of 60 with five years of service credit, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. The plan was closed to new entrants on September 30, 1977.

The **TRS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The TRS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for the fiscal year ending June 30, 2018 were as follows:

TRS Plan 1				
Actual Contribution Rates:	July 1, 2017 through August 31, 2017		September 1, 2017 through June 30, 2018	
	Employer	Employee	Employer	Employee
TRS Plan 1	6.72%	6.00%	7.83%	6.00%
TRS Plan 1 UAAL	6.23%	0.00%	7.19%	0.00%
Administrative Fee	0.18%	0.00%	0.18%	0.00%
Total	**13.13%**	**6.00%**	**15.20%**	**6.00%**

TRS Plan 2/3 defined benefit plan provides retirement, disability and survivor benefits. Members are vested after five years of service credit for Plan 2 and. Plan 3 members are vested after 10 years of service credit or after five years of service credit with at least 12 of those months being earned after age 44 or if the member earned five years of service credit in Plan 2.

Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with at least five years of service credit for Plan 2 and 10 years of service credit for Plan 3. Retirement before age 65 is considered an early retirement. Early retirement options include:

- Members who have at least 20 years of service credit for Plan 2 or at least 10 years of service credit for Plan 3 and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.
- Members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.
- Members who have 30 or more years of service credit, were hired on or after May 1, 2013, and are at least 55 years old, can retire with a benefit that is reduced by five percent for each year before age 65.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index) capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. TRS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. TRS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Notes to the Financial Statements

The **TRS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the TRS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. The TRS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for fiscal year ending June 30, 2018 were as follows:

TRS Plan 2/3				
Actual Contribution Rates:	**July 1, 2017 through August 31, 2017**		**September 1, 2017 through June 30, 2018**	
	Employer	**Employee**	**Employer**	**Employee**
TRS Plan 1	6.72%	5.95%	7.83%	7.06%
TRS Plan 1 UAAL	6.23%	0.00%	7.19%	0.00%
Administrative Fee	0.18%	0.00%	0.18%	0.00%
Total	**13.13%**	**5.95%**	**15.20%**	**7.06%**

The College's actual TRS plan contributions were $52,494 to TRS Plan 1 and $45,570 to TRS Plan 2/3 for the year ended June 30, 2018.

Actuarial Assumptions
The net pension liability (NPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *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 NPL 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:** 7.5%

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

Changes in methods and assumptions since the last valuation include:

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

Discount Rate

The discount rate used to measure the net pension liability for all DRS plans was 7.5 percent. 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 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 being made at contractually required rates (including PERS 2/3 and TRS 2/3 employers, whose rates include a component for the PERS 1 and TRS 1 plan liabilities).

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

Sensitivity of the Net Pension Liability/ (Asset)

The table below presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

Pension Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 3,346,570	$ 2,747,163	$ 2,227,948
PERS 2/3	$ 6,475,095	$ 2,403,431	$ (932,693)
TRS 1	$ 520,860	$ 418,874	$ 330,597
TRS 2/3	$ 348,134	$ 102,502	$ (96,997)

Long-Term Expected Rate of Return

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.

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of State

Actuary (OSA) reviewed historical experience data, considered the historical conditions that produced past annual investments returns, and considered capital market assumptions and simulated expected investment returns by the WSIB. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class
Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

Pension Plan Fiduciary Net Position
Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions Administered by DRS
At June 30, 2018, the College reported a net pension liability related to GASB Statement No. 68 pensions of $5,671,970 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 2,747,163
PERS 2/3	$ 2,403,431
TRS 1	$ 418,874
TRS 2/3	$ 102,502

At June 30, the College's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.063216 %	0.057895 %	(0.005321 %)
PERS 2/3	0.074719 %	0.069173 %	(0.005546 %)
TRS 1	0.011655 %	0.013855 %	0.002200 %
TRS 2/3	0.008380 %	0.011106 %	0.002726 %

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for both PERS and TRS plans.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the net pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the net pension liability to the measurement date.

Pension Expense
Pension expense is reported as part of the "Employee Benefits" expense on the Statement of Revenue, Expense and Changes in Net Position. For the year ended June 30, 2018, the College recognized pension expense as follows:

	Pension Expense
PERS 1	$ (111,874)
PERS 2/3	$ 310,312
TRS 1	$ 100,183
TRS 2/3	$ 41,501
TOTAL	**$ 340,123**

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

PERS 1	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 102,516
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 377,288	$ -
TOTAL	**$ 377,288**	**$ 102,516**

Notes to the Financial Statements

PERS 2/3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 243,524	$ 79,045
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 640,697
Changes of assumptions	$ 25,529	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 10,832	$ 215,557
Contributions subsequent to the measurement date	$ 521,337	$ -
TOTAL	**$ 801,221**	**$ 935,298**

TRS 1	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 17,746
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 52,494	$ -
TOTAL	**$ 52,494**	**$ 17,746**

TRS 2/3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 25,561	$ 5,229
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 37,095
Changes of assumptions	$ 1,208	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 34,195	$ 2,596
Contributions subsequent to the measurement date	$ 45,570	$ -
TOTAL	**$ 106,533**	**$ 44,921**

TOTAL ALL Funds	**$ 1,337,536**	**$ 1,100,481**

Deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year end June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2019	$ (69,295)	$ (282,166)	$ (13,035)	$ (10,775)
2020	$ 21,877	$ 30,664	$ 4,880	$ 10,272
2021	$ (5,080)	$ (89,099)	$ (434)	$ 3,116
2022	$ (50,020)	$ (290,091)	$ (9,157)	$ (10,648)
2023	$ -	$ (10,748)	$ -	$ 5,016
Thereafter	$ -	$ (13,972)	$ -	$ 19,061

15. Pension Plans administered by the State Board for Community and Technical Colleges State Board Retirement Plan (SBRP) – Supplemental Defined Benefits Plans

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

Olympic 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.

Contribution Information. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2018 were each $1,578,408.

Benefits Provided. The State Board Retirement Plans provide retirement, disability, and death benefits to eligible members. 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 Community and Technical Colleges in the amount of $1,300,000. The College's share of this amount was $42,095. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2018, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $87,271. This amount was not used as a part of GASB Statement No. 73 calculations its status as an asset has not been determined by the Legislature. As of June 30, 2018, the Community and Technical College system accounted for $16,351,270 of the fund balance.

Actuarial Assumptions

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

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

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

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

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

Discount Rate

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

Pension Expense

For the year ended June 30, 2018, the College reported $57,768 for pension expense in the State Board Retirement Plans.

SBRP Pension Expense	
Service cost	$ 123,920
Interest	113,883
Amortization of differences between expected and actual experience	(150,052)
Amortization of changes in assumptions	(39,731)
Changes of benefit terms	-
Amortization of changes in proportionate share	9,747
Other	-
Total SBRP Expense	**$57,768**

Proportionate Shares of Pension Liabilities
The College's proportionate share of pension liabilities for fiscal year ending June 30, 2018 was 3.24%. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating College's, actuarially determined.

Proportionate Share (%) 2017		**3.17%**
Proportionate Share (%) 2018		**3.24%**
Total Pension Liability - Ending 2017	$	3,017,144
Total Pension Liability - Beginning 2018		3,077,775
Total Pension Liability - Change in Proportion		60,631
Total Deferred Inflow/Outflows - 2017		863,275
Total Deferred Inflow/Outflows - 2018		880,622
Total Deferred Inflows/Outflows - Change in Proportion		17,348
Total Change in Proportion	**$**	**77,979**

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

Number of Participating Members				
Plan	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
State Board for Community and Technical Colleges	6	0	212	218

Change in Total Pension Liability/ (Asset)

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

Change in Total Pension Liability/(Asset)	
Service cost	$ 123,920
Interest	113,883
Changes of benefit terms	-
Differences between expected and actual experience	(336,823)
Changes of assumptions	(113,947)
Benefit payments	(42,095)
Changes in Proportionate Share of TPL	60,631
Other	-
Net change in Total Pension Liability	(194,431)
Total Pension Liability - Beginning	3,017,144
Total Pension Liability - Ending	**$ 2,822,713**

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

The following table presents the total pension liability/ (asset), calculated using the discount rate of 3.87 percent, as well as what the employers' total pension liability/ (asset) 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:

Plan	**1% Decrease (2.87%)**	**Current Discount Rate (3.87%)**	**1% Increase (4.87%)**
State Board for Community and Technical Colleges	$3,219,537	$2,822,713	$2,492,657

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

At June 30, 2018, the State Board Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

State Board for Community and Technical Colleges	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 0	$ 899,241
Changes of assumptions	$ 0	$ 242,369
Changes in College's proportionate share of pension liability	$ 68,231	$ 0
Transactions subsequent to the measurement date	$ 0	$0
TOTAL	**$ 68,231**	**$1,141,610**

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

State Board for Community and Technical Colleges	
2019	($180,035)
2020	($180,035)
2021	($180,035)
2022	($180,035)
2023	($180,035)
Thereafter	($173,202)

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 14 and 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. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

Employees Covered by Benefit Terms. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 76 of the state's K-12 schools and educational service districts (ESDs), and 249 political subdivisions and tribal governments not included in the state's financial reporting who participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs, Membership in the PEBB plan for the 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 adult unit per month, and in calendar year 2017, the average weighted implicit subsidy was valued at $327 per adult unit per month. In calendar year 2018, the average weighted implicit is projected to be $348 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 by Legislature 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	$	1,025
Dental		79
Life		4
Long-term Disability		2
Total		1,110
Employer contribution		959
Employee contribution		151
Total	$	1,110

*Per 2017 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2017 which includes projected claims cost at the time of this reporting.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used. For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to:
http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

Total OPEB Liability
As of June 30, 2018, the state reported a total OPEB liability of $5.83 billion. The College's proportionate share of the total OPEB liability is $21,909,576. This liability was determined based on a measurement date of June 30, 2017.

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

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

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

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

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

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

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

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

In order to calculate the beginning total OPEB liability balance under GASB Statement No. 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

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

Proportionate Share (%) 2016	**0.4033563230%**
Proportionate Share (%) 2017	**0.3760769661%**
Total OPEB Liability - Ending 2016	$ 25,179,829
Total OPEB Liability - Beg 2017 (chg in prop)	23,476,894
Total OPEB Liability - Change in Proportion	(1,702,935)
Total Deferred Inflow/Outflows – 2016	380,279
Total Deferred Inflow/Outflows – 2017 (chg in prop)	354,560
Total Deferred Inflows/Outflows - Change in Proportion	(25,719)
Total Change in Proportion	**$ (1,677,216)**

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

Change in Total OPEB Liability	
Service cost	$ 1,485,336
Interest	695,740
Differences between expected and actual experience	-
Changes of assumptions	(3,393,834)
Changes of benefit terms	-
Benefit payments	(354,560)
Changes in proportionate share	(1,702,935)
Other	-
Net change in total OPEB Liability	(3,270,253)
Total OPEB Liability - Beginning	25,179,829
Total OPEB Liability – Ending	**$ 21,909,576**

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

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

Discount Rate Sensitivity		
Decrease 1% (2.58%)	**Current Discount Rate (3.58%)**	**Increase 1% (4.58%)**
$ 26,732,388	$ 21,909,576	$ 18,177,494

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

Health Care Cost Trend Rate Sensitivity		
Decrease 1% (4%)	**Current Discount Rate (5%)**	**Increase 1% (6%)**
$ 17,699,923	$ 21,909,576	$ 27,559,307

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ending June 30, 2018, the College will recognize OPEB expense of $1,617,626. OPEB expense consists of the following elements:

OPEB Pension Expense	
Service cost	$ 1,485,336
Interest	695,740
Amortization of differences between expected and actual experience	-
Amortization of changes in assumptions	(377,093)
Changes of benefit terms	-
Amortization of changes in proportion	(186,357)
Other	-
Total OPEB Expense	**$ 1,617,626**

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

OPEB	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 0
Changes of assumptions	$ 0	$ 3,016,741
Transactions subsequent to the measurement date	$ 346,733	$ 0
Changes in proportion	$ 0	$ 1,490,859
TOTAL	**$ 346,733**	**$ 4,507,600**

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:

OPEB Expense	
2019	($563,450)
2020	($563,450)
2021	($563,450)
2022	($563,450)
2023	($563,450)
Thereafter	($1,690,350)

17. 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, 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 $64,696. Cash reserves for unemployment compensation for all employees at June 30, 2018, were $171,483.

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.

18. 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 functional classification for the year ending June 30, 2018.

Expenses by Functional Classification

Instruction	$	20,726,023
Academic Support Services		4,213,123
Student Services		6,307,204
Institutional Support		9,492,184
Operations and Maintenance of Plant		6,864,048
Scholarships and Other Student Financial Aid		12,831,349
Auxiliary enterprises		5,643,772
Depreciation		4,346,948
Total operating expenses	**$**	**70,424,649**

Notes to the Financial Statements

19. Commitments and Contingencies

The College is exposed to various risk of loss related to tort liability, injuries to employees, The College has commitments of approximately $5,061,117 for various capital projects that include construction and completion of new buildings and renovations of existing buildings.

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

20. Subsequent event

On October 20, 2018, the College closed internal operations of the College’s bookstore after signing an agreement with Barnes & Noble College Booksellers LLC for management of the operations of the bookstore. The College bookstore opened under Barnes & Noble College Booksellers LLC management on October 29, 2018. The agreement includes guaranteed profit sharing during the lifetime of the contract, in addition to furniture and equipment upgrades.

Olympic College
Schedule of Proportionate Share of the Net Pension Liability
Public Employee's Retirement System (PERS) Plan 1 & Plan 2/3
Measurement Date of June 30 *

PERS 1		**2017**	**2016**	**2015**	**2014**
Employer's proportion of the net pension liability (asset)	%	0.057895%	0.063216%	0.063350%	0.064316%
Employer's proportionate share of the net pension liability	$	2,747,163	3,394,997	3,313,794	3,239,949
Covered payroll	$	7,006,847	7,284,208	6,649,199	6,733,233
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	39.21%	46.61%	49.84%	48.12%
Plan fiduciary net position as a percentage of the total pension liability	%	61.24%	57.03%	59.10%	61.19%

PERS 2/3		**2017**	**2016**	**2015**	**2014**
Employer's proportion of the net pension liability (asset)	%	0.069173%	0.074719%	0.075225%	0.075259%
Employer's proportionate share of the net pension liability	$	2,403,431	3,762,038	2,687,832	1,521,256
Covered payroll	$	6,781,731	7,016,997	6,388,812	6,443,072
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	35.44%	53.61%	42.07%	23.61%
Plan fiduciary net position as a percentage of the total pension liability	%	90.97%	85.82%	89.20%	93.29%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Schedule of Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1 & Plan 2/3
Measurement Date of June 30 *

TRS 1		**2017**	**2016**	**2015**	**2014**
Employer's proportion of the net pension liability (asset)	%	0.013855%	0.011655%	0.010527%	0.010725%
Employer's proportionate share of the net pension liability	$	418,874	397,929	333,510	316,329
Covered payroll	$	689,755	501,360	360,956	402,042
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	60.73%	79.37%	92.40%	78.68%
Plan fiduciary net position as a percentage of the total pension liability	%	65.58%	62.07%	65.70%	68.77%

TRS 2/3		**2017**	**2016**	**2015**	**2014**
Employer's proportion of the net pension liability (asset)	%	0.011106%	0.008380%	0.007249%	0.007399%
Employer's proportionate share of the net pension liability	$	102,502	115,082	61,167	23,899
Covered payroll	$	608,189	417,206	298,341	323,553
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	16.85%	27.58%	20.50%	7.39%
Plan fiduciary net position as a percentage of the total pension liability	%	93.14%	88.72%	92.48%	96.81%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Schedule of Employer Contributions
Public Employee's Retirement System (PERS) Plan 1 & Plan 2/3
For the year ended June 30*

PERS 1		**2018**	**2017**	**2016**	**2015**	**2014**
Statutorily or contractually required contributions	$	375,774	348,252	358,495	291,155	284,682
Contributions in relation to the statutorily or contractually required contributions	$	(375,774)	(348,252)	(358,495)	(291,155)	(284,682)
Contribution deficiency (excess)	$	0	0	0	0	0
Covered payroll	$	7,190,498	7,006,847	7,284,208	6,936,491	6,733,233
Contributions as a percentage of covered payroll	%	5.23%	4.97%	4.92%	4.20%	4.23%

PERS 2/3		**2018**	**2017**	**2016**	**2015**	**2014**
Statutorily or contractually required contributions	$	517,720	422,500	431,346	335,092	317,926
Contributions in relation to the statutorily or contractually required	$	(517,720)	(422,500)	(431,346)	(335,092)	(317,926)
Contribution deficiency (excess)	$	0	0	0	0	0
Covered payroll	$	6,978,165	6,781,731	7,016,997	6,676,104	6,443,072
Contributions as a percentage of covered payroll	%	7.42%	6.23%	6.15%	5.02%	4.93%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Schedule of Employer Contributions
Teachers' Retirement System (TRS) Plan 1 & Plan 2/3
For the year ended June 30*

TRS 1		2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$	52,256	48,485	35,421	23,556	21,209
Contributions in relation to the statutorily or contractually required contributions	$	(52,256)	(48,485)	(35,421)	(23,556)	(21,209)
Contribution deficiency (excess)	$	0	0	0	0	0
Covered payroll	$	660,651	689,755	501,360	419,392	402,042
Contributions as a percentage of covered payroll	%	7.91%	7.03%	7.07%	5.62%	5.28%

TRS 2/3		2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$	45,370	40,921	27,353	19,264	18,154
Contributions in relation to the statutorily or contractually required contributions	$	(45,370)	(40,921)	(27,353)	(19,264)	(18,154)
Contribution deficiency (excess)	$	0	0	0	0	0
Covered payroll	$	590,081	608,189	417,206	338,920	323,553
Contributions as a percentage of covered payroll	%	7.69%	6.73%	6.56%	5.68%	5.61%

The notes to the Required Supplementary Information are an integral part of this schedule.

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

Total Pension Liability	**2018**	**2017**
Service Cost	$ 123,920	$ 171,950
Interest	113,883	111,544
Changes of benefit terms	-	-
Differences between expected and actual experience	(336,823)	(804,233)
Changes of assumptions	(113,947)	(189,821)
Benefit Payments	(42,095)	(28,632)
Change in proportionate share of TPL	60,631	-
Other	-	-
Net Changes in Total Pension Liability	(194,431)	(739,192)
Total Pension Liability - Beginning	$ 3,017,144	$ 3,756,336
Total Pension Liability - Ending	$ 2,822,713	$ 3,017,144
College's Proportionate Share of the Total Pension Liability	3.238058%	3.174270%
Covered-employee payroll	$ 17,454,234	$ 16,832,806
Total Pension Liability as a percentage of covered-employee payroll	16.17%	17.92%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Schedule of Changes in Total OPEB Liability and Related Ratios
As of the Measurement Date June 30*

Total OPEB Liability	**2017**
Service Cost	$ 1,485,336
Interest	695,740
Benefit Payments	(354,560)
Differences between expected and actual experience	-
Changes of assumptions	(3,393,834)
Changes of benefit terms	-
Changes in proportionate share	(1,702,935)
Other	-
Net Changes in Total OPEB Liability	(3,270,253)
Total OPEB Liability - Beginning	$ 25,179,829
Total OPEB Liability - Ending	$ 21,909,576
College's Proportionate Share of the Total OPEB Liability	0.376077%
Covered-employee payroll	$ 24,412,214
Total OPEB Liability as a percentage of covered-employee payroll	89.75%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Note 1 - Presentation of Schedules

Accounting standards require the schedules to present information for 10 years. However, until a full 10 year-trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Note 2 - Change of Benefit Terms

There were no changes in the benefit terms for the pension plans reported on the Schedule of Proportionate Share of the Net Pension Liability, Schedule of Employer Contributions or the Schedule of Changes in the Total Pension Liability and Related Ratios.

Note 3 - Change of Assumptions

There were no changes in the assumptions for the pension plans reported on the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Employer Contributions.

Material assumption changes during the measurement period include the discount rate increase from 3.58 percent to 3.87 percent on the Schedule of Changes in the Total Pension Liability and Related Ratios.

Note 4 - State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Total Pension Liability and Related Ratios: The State Board Supplemental Retirement Plans reported 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.

Note 5 - Public Employee's Benefit Board OPEB Plan

Schedule of Changes in Total OPEB Liability and Related Ratios: 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.