Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Seattle Colleges

For the period July 1, 2019 through June 30, 2020

Published March 29, 2021

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Office of the Washington State Auditor
Pat McCarthy

March 29, 2021

Board of Trustees
Seattle Colleges
Seattle, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Seattle Colleges
July 1, 2019 through June 30, 2020

Board of Trustees
Seattle Colleges
Seattle, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Seattle Colleges, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Colleges' basic financial statements, and have issued our report thereon dated March 25, 2021.

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

The financial statements of the Seattle Colleges, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the Colleges 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, 2020, 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to the management of the Colleges in a separate special investigation report dated March 18, 2021.

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

March 25, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Seattle Colleges
July 1, 2019 through June 30, 2020

Board of Trustees
Seattle Colleges
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Seattle Colleges, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Colleges' basic financial statements as listed on page 10.

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 Seattle Colleges Foundation, the Foundation for Seattle Colleges, or the South Seattle College Foundation (the Foundations), which in aggregate represent 100 percent of the assets, net position and revenues of the aggregately discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based solely on the reports 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 Foundations 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 Colleges' 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 Colleges' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Seattle Colleges, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Seattle Colleges, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the Colleges 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, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021 on our consideration of the Colleges' 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 Colleges' internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

March 25, 2021

FINANCIAL SECTION

Seattle Colleges
July 1, 2019 through June 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020
Statement of Revenues, Expenses and Changes in Net Position – 2020
Statement of Cash Flows – 2020
Seattle Colleges Foundation Statement of Financial Position – 2020
Seattle Colleges Foundation Statement of Activities – 2020
Seattle Colleges Foundation Statement of Cash Flows – 2020
Foundation for the Seattle Colleges Consolidated Statement of Financial Position – 2019
Foundation for the Seattle Colleges Consolidated Statement of Activities – 2019
Foundation for the Seattle Colleges Statement of Cash Flows – 2019
South Seattle College Foundation Statement of Financial Position – 2019
South Seattle College Foundation Statement of Activities – 2019
South Seattle College Foundation Statement of Cash Flows – 2019
Notes to the Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Seattle Colleges' Share of the Net Pension Liability – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2020
Schedule of Contributions – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2020
Schedule of Changes in the Total Pension Liability and Related Ratios – State Board Supplemental Defined Benefit Plans – 2020
Schedule of Changes in Total OPEB Liability and Related Ratios – 2020

Management's Discussion and Analysis

Seattle Colleges

The following discussion and analysis provide an overview of the financial position and activities of Seattle Colleges for the fiscal year ended June 30, 2020 (FY 2020). The financial statements also include its discretely presented component units: The Seattle Colleges Foundation, The Foundation for Seattle Colleges, and The South Seattle College Foundation. This overview provides readers with an objective and easily readable analysis of the Colleges' financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the Colleges' financial statements and accompanying note disclosures.

Using the Financial Statements

The financial statements presented in this report encompass the entirety of Seattle Colleges. The Colleges' financial statements include: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows. The Statement of Net Position provides information about the Colleges as of June 30, 2020. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the Colleges' financial condition.

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

Statement of Net Position

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

Seattle Colleges Condensed Statement of Net Position As of June 30, 2020 and 2019		
	2020	**2019**
Assets		
Current Assets	$ 106,224,420	$ 74,337,935
Capital Assets, net	205,029,021	208,738,617
Other Assets, non-current	2,569,332	27,504,105
Total Assets	**313,822,773**	**310,580,657**
Deferred Outflows of Resources	**17,207,369**	**9,838,579**
Liabilities		
Current Liabilities	27,774,535	24,509,756
Other Liabilities, non-current	111,375,795	102,111,504
Total Liabilities	**139,150,330**	**126,621,260**
Deferred Inflows of Resources	**39,769,497**	**43,302,092**
Net Position		
Net Investment in Capital Assets	198,601,661	201,758,617
Restricted	2,323,030	2,782,954
Unrestricted	(48,814,376)	(54,045,688)
Total Net Position	**$ 152,110,315**	**$ 150,495,883**

Current assets consist primarily of cash, investments and various accounts receivable. The significant increase in FY 2020 can be attributed to cash proceeds of non-current bonds called during the year. Bonds with maturities less than one year are considered short-term.

Net capital assets decreased by $3,709,596 from FY 2019 to FY 2020. The decrease is primarily the result of current depreciation expense of $8,639,720 combined with the disposal of certain assets. This decrease was partially offset by additions to construction in progress and ongoing acquisitions of capitalizable equipment.

Non-current assets consist primarily of the long-term portion of certain investments. The significant decrease in FY 2020 can be attributed to long-term bonds that were called during the year. Bonds with maturities greater than one year are considered long-term.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated with the implementation of GASB Statement No. 68 in FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018.

The increase in deferred outflows reflect the Colleges' 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 and changes in other actuarial assumptions. The College recorded $9,838,579 in FY 2019 and $17,207,369 in FY 2020 of pension and postemployment-related deferred outflows.

The decrease in deferred inflows in 2020 largely reflects the difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits. Inflows are also decreased by changes in proportionate share.

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

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees, the long-term portion of Certificates of Participation debt and pension liabilities. The increase in non-current liabilities in FY 2020 is mainly due to an increase the Other Post- Employment Benefit (OPEB) liability.

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

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

Restricted:

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

Expendable – resources that the Colleges are legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary expendable funds for the Colleges are institutional financial aid funds.

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

Net Position As of June 30th	FY 2020	FY 2019
Net investment in capital assets	198,516,925	201,758,617
Restricted		
Expendable	2,323,030	2,782,954
Unrestricted	(48,729,640)	(54,045,688)
Total Net Position	**$152,110,315**	**$150,495,883**

Statement of Revenues, Expenses and Changes in Net Position
The Statement of Revenues, Expenses and Changes in Net Position accounts for the Colleges' changes in total net position during FY 2020. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the Colleges, along with any other revenue, expenses, gains and losses of the Colleges.

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

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

A condensed comparison of the Colleges' revenues, expense and changes in net position for the years ended June 30, 2020 and 2019 is presented below.

Seattle Colleges
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Student tuition and fees, net	$ 57,324,369	$ 64,035,273
Auxiliary enterprise sales	6,720,386	8,953,978
Grants and contracts	50,376,894	42,923,065
Other operating revenues	1,703,289	3,044,971
Total operating revenues	**116,124,938**	**118,957,287**
Non-Operating Revenues		
State appropriations	83,387,924	73,532,124
Federal non-operating revenue	2,020,788	-
Federal Pell grant revenue	11,686,501	12,407,630
Other non-operating revenues	8,776,841	2,415,265
Total non-operating revenues	105,872,054	88,355,019
Total revenues	**221,996,992**	**207,312,306**
Operating Expenses		
Salaries and Benefits	152,662,740	139,677,179
Scholarships	30,752,852	31,097,809
Depreciation	8,639,720	9,425,384
Other operating expenses	32,347,962	38,908,956
Total operating expenses	**224,403,274**	**219,109,328**
Non-Operating Expenses		
Building fee remittance	3,874,553	3,944,008
Other non-operating expenses	1,234,332	4,330,646
Total non-operating expenses	**5,108,885**	**8,274,654**
Total expenses	229,512,159	227,383,982
Deficiency before capital contributions	**(7,515,167)**	**(20,071,676)**
Capital appropriations and contributions	**9,129,599**	**11,762,856**
Change in Net position	**1,614,432**	**(8,308,820)**
Net Position		
Net position, beginning of year	150,495,883	158,804,703
Net position, end of year	**$ 152,110,315**	**$ 150,495,883**

Revenues
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the 34 colleges based in part on a three-year average of FTE actuals. Additionally, the legislature designated some general funds as Pension Stabilization funds which did not result in any change in the Colleges' funding or expenses. This method of allocation continued through FY 2020.

The decrease of tuition and fee revenue during FY 2020 is primarily attributable to the reduction of in-person instruction in Spring 2020 in response to COVID-19.

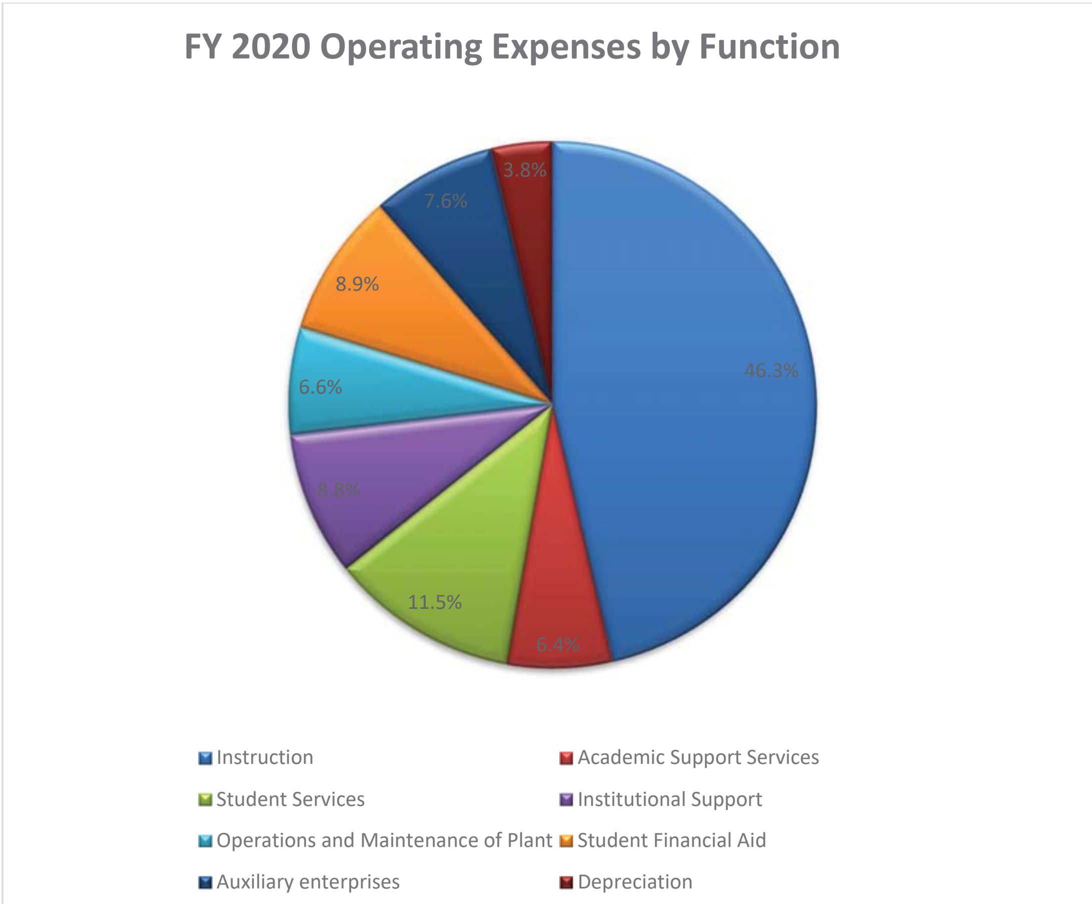
In FY 2020, federal grant and contract revenues increased primarily due to increases in Department of Labor and Department of Education grants when compared with FY 2019. State grants increased in large part due to student participation in the Seattle Promise program. The Colleges continued to serve students under contracted programs like Running Start in which students earn both high school and college credit. Running Start enrollments continued to increase through FY 2020. The Colleges include international student fees in grants and contracts revenue. Also, in FY 2020 other non-operating revenues increased due to the gain on the sale of a building that was no longer useful to the Colleges.

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

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

In FY 2020, salary and benefit costs increased as a result of the 3% salary increase and 5% regional increase by the Legislature and additional resources needed for preparation for ctcLink.

Operating Expenses by Function
The chart below shows the percentage of each functional area of operating expenses for FY 2020.



Capital Assets and Long-Term Debt Activities

The community and technical college system submit a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. State funding priorities have not included increasing funding for the community and technical college capital projects at levels previously funded. There is no indication that this will significantly change in the near future.

At June 30, 2020, the Colleges had invested $205,029,021 in capital assets, net of accumulated depreciation. This represents a decrease of $3,709,595 from last year, as shown in the table below.

Asset Type	June 30, 2020	June 30, 2019	Change
Land	7,508,685	7,508,685	-
Construction in Progress	8,197,814	2,860,750	5,337,064
Buildings, net	184,068,484	192,645,132	(8,576,648)
Other Improvements and Infrastructure, net	709,475	787,641	(78,166)
Equipment, net	4,049,118	4,415,919	(366,801)
Library Resources, net	495,445	520,489	(25,044)
Total Capital Assets, Net	**205,029,021**	**208,738,616**	**(3,709,595)**

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

At June 30, 2020, the Colleges had $5,580,000 in outstanding debt. This represents a reduction of $1,400,000; $905,000 for refinance of the Employment Resources Center COP to a lower interest rate and reduction by payment of $495,000.

	June 30, 2020	June 20, 2019	Change
Certificates of Participation	5,580,000	6,980,000	(1,400,000)
Total	**$ 5,580,000**	**$ 6,980,000**	**$ (1,400,000)**

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

Economic Factors That May Affect the Future

The Seattle area continued to experience economic growth which was stalled by the COVID-19 related shut-down. The earlier population growth continued to show many residents moving to the area had already attained a college degree and sometimes additional post-graduate degrees which diluted the number who would seek educational services from Seattle Colleges. The cost of housing for both renters and owners remains relatively high in the Seattle area which makes it more difficult for traditional community college students and staff to live within the service area. The lack of affordable housing in Seattle and high education level of residents continues to result in a smaller pool of potential students in the area.

Seattle Colleges, along with colleges across the country, has relied on international students to grow enrollments. However, the drop in international enrollment over the last four years, due to political and other factors, was heightened due to the COVID-19 related shut-down and resulting remote operations. Seattle Colleges centralized international operations in FY 2020 cutting international expenses by eliminating overlap in support functions and scaling operational expenses corresponding to the international enrollment declines. International Programs continues to focus on strategic marketing and recruitment efforts, but is aware that remote operations and the COVID-19 travel concerns will continue to subdue international enrollment for the foreseeable future.

Enrollments may continue to be impacted by COVID-19 restrictions with trends indicating state-wide enrollment declines. For Seattle Colleges, enrollment may be more heavily impacted for South Seattle College due to the hands-on nature of the high mix of vocational technical programs like apprenticeships and the closure of the West Seattle bridge. Enrollments at both North and Central may also decline. The colleges continue strategic enrollment management efforts, focusing on pathway-oriented improvements to make it easier for students to enroll and succeed at Seattle Colleges. Seattle Pathway efforts are structured to lower barriers and improve student success which should result in enrollment gains.

State funding for all public colleges in the State of Washington is expected to decrease with the contraction of sales tax due to COVID-19 related shut-downs. Colleges have begun to plan for this with a variety of budget reduction strategies including voluntary early retirement, furloughs, and elimination of programs. Executive staff also agreed to roll-back salary increases and to decline COLA adjustments for the next year.

Seattle Colleges
Statement of Net Position
June 30, 2020

Assets	
Current assets	
Cash and cash equivalents	$ 60,684,778
Restricted cash	2,458,399
Short-term investments	15,158,578
Accounts receivable	27,922,665
Total current assets	106,224,420
Non-Current Assets	
Long-term investments	2,569,332
Non-depreciable capital assets	15,706,490
Capital assets, net of depreciation	189,322,531
Total non-current assets	207,598,353
Total assets	**313,822,773**
Deferred Outflows of Resources	
Deferred outflows related to pensions	10,011,677
Deferred outflows related to OPEB	7,195,692
Total deferred outflows of resources	17,207,369
Liabilities	
Current Liabilities	
Accounts payable	4,065,469
Accrued liabilities	8,336,308
Compensated absences, current portion	3,874,633
Deposits payable	619,269
Unearned revenue	8,934,429
Leases and certificates of participation payable, current portion	524,736
Total pension liability, current portion	204,303
Total OPEB liability, current portion	1,215,388
Total current liabilities	27,774,535
Non-Current Liabilities	
Compensated absences	10,285,999
Leases and certificates of participation payable	5,902,624
Net pension liability	12,028,105
Total pension liability	13,888,800
Total OPEB liability	69,270,267
Total non-current liabilities	111,375,795
Total liabilities	**139,150,330**
Deferred Inflows of Resources	
Deferred inflows related to pensions	10,728,489
Deferred inflows related to OPEB	29,041,008
Total deferred inflows of resources	39,769,497
Net Position	
Net Investment in Capital Assets	198,601,661
Restricted for:	
Expendable	2,323,030
Unrestricted (deficit)	(48,814,376)
Total Net Position	**$ 152,110,315**

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

Seattle Colleges
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

Operating Revenues	
Student tuition and fees, net of scholarship discounts and allowances	57,324,369
Auxiliary enterprise sales	6,720,386
State and local grants and contracts	42,857,373
Federal grants and contracts	7,519,521
Other operating revenues	1,703,289
Total operating revenue	116,124,938
Operating Expenses	
Salaries and wages	117,858,659
Benefits	34,804,081
Scholarships and fellowships	30,752,852
Supplies and materials	5,962,537
Depreciation	8,639,720
Purchased services	4,864,461
Utilities	806,188
Other operating expenses	20,714,776
Total operating expenses	224,403,274
Operating (loss)	(108,278,336)
Non-Operating Revenues (Expenses)	
State appropriations	83,387,924
Federal non-operating revenue	2,020,788
Federal Pell grant revenue	11,686,501
Investment income, gains and losses	1,478,820
Gain (Loss) on disposal of buildings and equipment	7,298,020
Building fee remittance	(3,874,553)
Innovation fund remittance	(963,414)
Interest on indebtedness	(270,917)
Net non-operating revenue	**100,763,169**
Loss before Capital appropriation	(7,515,167)
Capital Contributions	
Capital appropriations	9,129,599
Increase in net position	1,614,432
Net Position	
Net position, beginning of year	150,495,883
Net position, end of year	152,110,315

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

Seattle Colleges
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flows from operating activities	
Student tuition and fees	$ 57,164,897
Grants and contracts	50,792,880
Payments to vendors	(7,985,586)
Payments for utilities	(790,760)
Payments to employees	(115,734,699)
Payments for benefits	(37,706,791)
Auxiliary enterprise sales	6,446,669
Payments for scholarships and fellowships	(30,752,852)
Other receipts	3,177,071
Other payments	(22,190,813)
Net cash used by operating activities	(97,579,984)
Cash flows from noncapital financing activities	
State appropriations	85,387,075
Pell grants	11,686,501
Amounts for other than capital purposes	3,454,758
Building fee remittance	(3,455,180)
Innovation fund remittance	(873,872)
Net cash provided by noncapital financing activities	96,199,282
Cash flows from capital and related financing activities	
Capital appropriations	9,808,399
Purchases of capital assets	(6,138,233)
Proceeds of capital asset sale	8,739,419
Principal paid on capital debt	(6,640,000)
Interest paid	(328,557)
Net cash provided by capital and related financing activities	5,441,028
Cash flows from investing activities	
Proceeds from sales and maturities of investments	36,645,000
Income of investments	1,478,820
Net cash provided by investing activities	38,123,820
Increase in cash and cash equivalents	41,558,251
Cash and cash equivalents at the beginning of the year	21,584,926
Cash and cash equivalents at the end of the year	63,143,177
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(108,278,336)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	8,639,720
Loss on disposal of building and equipment	1,441,396
Changes in assets and liabilities	
Receivables, net	(1,500,549)
Inventories	-
Other assets	87,984
Accounts payable	1,867,868
Accrued liabilities	1,514,906
Unearned revenue	7,308
Compensated absences	1,743,319
Pension liability adjustment	(3,048,002)
Deposits payable	(55,598)
Net cash used by operating activities	$ (97,579,984)
Significant Noncash Transactions	
Increase in fair value of investments	1,087,461

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

SEATTLE COLLEGES FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30,	**2020**
Assets	
Current Assets	
Cash and cash equivalents	$ 1,090,452
Investments	6,378,299
Contributions receivable	639,040
Prepaid expenses	48,972
Total Current Assets	8,156,763
Contributions receivable, net of current portion	318,907
Endowment contributions receivable	968,871
Investments held for endowments	19,086,462
Land held for sale - endowment	-
Total Assets	$ 28,531,003

Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 339,699
Scholarships payable	1,288,489
Total Current Liabilities	1,628,188
Net Assets	
Without donor restrictions	3,482,795
With donor restrictions	23,420,020
Total Net Assets	26,902,815
Total Liabilities and Net Assets	$ 28,531,003

(See accompanying note to the financial statements)

SEATTLE COLLEGES FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30,	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Support and Revenue			
Contributions	$ 125,653	$ 3,691,344	$ 3,816,997
Special events	11,350	310,040	321,390
Special events, direct benefit to donor	(46,934)	-	(46,934)
In-kind contributions	1,731,291	-	1,731,291
Investment return	622,861	689,062	1,311,923
	2,444,221	4,690,446	7,134,667
Net assets released from restrictions	1,784,421	(1,784,421)	-
Total Support and Revenue	4,228,642	2,906,025	7,134,667
Expenses			
Program services	2,017,331	-	2,017,331
Management and general	675,486	-	675,486
Fundraising	1,313,941	-	1,313,941
Total Expenses	4,006,758	-	4,006,758
Change in net assets before transfer from College Foundations	221,884	2,906,025	3,127,909
Transfer from College Foundations	-	-	-
Net Assets, beginning of year	3,260,911	20,513,995	23,774,906
Net Assets, end of year	$ 3,482,795	$ 23,420,020	$ 26,902,815

(See accompanying note to the financial statements)

SEATTLE COLLEGES FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30,		**2020**
Cash Flows from Operating Activities		
Change in net assets	$	3,127,909
Adjustments to reconcile change in net assets to		
net cash flows from operating activities:		
Endowment contributions		(385,189)
Net realized and unrealized gains on investments		(569,623)
Gain on sale of land		(260,615)
Changes in operating assets and liabilities		
Contributions receivable		47,699
Prepaid expenses		(47,410)
Accounts payable		322,443
Scholarships payable		(163,749)
Net Cash Flows from Operating Activities		2,071,465
Cash Flows for Investing Activity		
Purchases of investments, net		(4,636,936)
Cash received from sale on land		837,615
Net Cash Flows for Investing Activities		(3,799,321)
Cash Flows from Financing Activities		
Transfer of cash and cash equivalents from College Foundations		-
Proceeds from contributions restricted for endowments		548,518
Net Cash Flows from Financing Activities		548,518
Net Change in Cash and Cash Equivalents		(1,179,338)
Cash and Cash Equivalents, beginning of year		2,269,790
Cash and Cash Equivalents, end of year	$	1,090,452

(See accompanying note to the financial statements)

FOUNDATION FOR THE SEATTLE COLLEGES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019

Assets	
Current Assets	
Cash and cash equivalents	$ 1,353,823
Certificates of deposit	508,840
Tenant accounts receivable	200,067
Contributions receivable	2,262
Prepaid expenses	123,597
Total Current Assets	2,188,589
Restricted cash	301,110
Loans receivable	16,122,050
Certificates of deposit	101,883
Investments	171,398
Endowment investments	-
Use of facilities contributions receivable	7,430,507
Property and equipment, net	40,681,635
Total Assets	$ 66,997,172

Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 229,935
Grants payable	-
Priority return distribution payable	190,745
Deferred rent revenue	134,734
Loans payable - current portion	247,000
Total Current Liabilities	802,414
Loans Payable, less current portion, net of loan costs	21,164,495
Total Liabilities	21,966,909
Net Assets	
Without donor restrictions	31,116,134
Noncontrolling interest in Pacific Tower Master Tenant, LLC	6,483,622
Total without donor restrictions	37,599,756
With donor restrictions	7,430,507
Total Net Assets	45,030,263
Total Liabilities and Net Assets	$ 66,997,172

(See accompanying note to the financial statements)

FOUNDATION FOR THE SEATTLE COLLEGES

CONSOLIDATED STATEMENT OF ACTIVITIES

	2019		
Year Ended December 31,	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Contributions	$ 4,000	$ -	$ 4,000
In-kind contributions	25,413	-	25,413
Net assets released from restrictions	-	-	-
Total Public Support	29,413	-	29,413
Revenue			
Rent	2,362,609	-	2,362,609
Common area maintenance	576,120	-	576,120
Parking and conference room fees	411,254	-	411,254
Other income	10,500	-	10,500
Investment income (loss)	239,639	-	239,639
Total Revenue	3,600,122	-	3,600,122
Total Public Support and Revenue	3,629,535	-	3,629,535
Expenses			
Foundation programs	10,154	-	10,154
Pacific Tower Project	7,851,092	-	7,851,092
Management and general	59,653	-	59,653
Fundraising	-	-	-
Total Expenses	7,920,899	-	7,920,899
Change in Net Assets before Pacific Tower			
Net assets released from restrictions	(4,291,364)	-	(4,291,364)
Pacific Tower net assets released from restriction	2,830,671	(2,830,671)	-
Change in Net Assets	(1,460,693)	(2,830,671)	(4,291,364)
Noncontrolling Member Distributions	(252,390)	-	(252,390)
Transfer to Seattle Colleges Foundation	-	-	-
Net Assets, beginning of year	39,312,839	10,261,178	49,574,017
Net Assets, end of year	$ 37,599,756	$ 7,430,507	$ 45,030,263

(See accompanying note to the financial statements)

FOUNDATION FOR THE SEATTLE COLLEGES

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year Ended December 31, 2019
Reconciliation of Change in Net Assets		
to Net Cash Flows from (for) Operating Activities		
Change in net assets	$	(4,291,364)
Adjustments to reconcile change in net assets to		
net cash flows from operating activities:		-
Depreciation and amortization		1,877,375
Amortization of debt issuance costs		76,393
Use of facilities contribution receivable		2,830,669
Realized and unrealized (gains) losses on investments		(4,783)
Changes in operating assets and liabilities:		
Tenant accounts receivable		(94,252)
Contributions receivable		(1,002)
Prepaid expenses		(16,051)
Accounts payable		(551)
Grants payable		(42,495)
Deferred rent revenue		46,639
Net Cash Flows from (for) Operating Activities		380,578
Cash Flows for Investing Activities		
Purchase of certificates of deposit		(610,723)
Proceeds from sales of investments		-
Purchase of investments		-
Purchase and property and equipment		-
Net Cash Flows for Investing Activities		(610,723)
Cash Flows for Financing Activities		
Principal payments on loans payable		(214,531)
Distributions to noncontrolling member		(320,135)
Contributions received restricted to endowment		-
Transfer of cash and cash equivalents to		
Seattle Colleges Foundation		-
Net Cash Flows for Financing Activities		(534,666)
Net Change in Cash and Cash Equivalents		(764,811)
Cash and Cash Equivalents, beginning of year		2,419,744
Cash and Cash Equivalents, end of year		1,654,933
Cash, end of year, as presented on the statements of		
financial position		
Cash and cash equivalents		1,353,823
Restricted cash		301,110
	$	1,654,933
Supplemental Disclosure		
Interest paid in cash	$	238,319
Change in priority return distribution payable	$	(67,745)
Transfer of Endowment to Seattle Colleges Foundation	$	-

(See accompanying note to the financial statements)

SOUTH SEATTLE COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31,		**2019**
Assets		
Current Assets		
Cash and cash equivalents	$	197,719
Investments		1,843,535
Prepaid expenses and other assets		3,474
Total Current Assets		2,044,728
Endowment cash and cash equivalents		7,446
Endowment investments		19,118,881
Endowment promise to give, net		343,490
Promises to give		55,000
Total Assets	$	21,569,545
Liabilities and Net Assets		
Liabilities		
Grants and awards payable	$	404,743
Funds held for others		260,250
Total Liabilities		664,993
Net Assets		
Without donor restrictions		
Board-designated, endowments		7,020,585
Undesignated		940,137
		7,960,722
With donor restrictions		12,943,830
Total Net Assets		20,904,552
Total Liabilities and Net Assets	$	21,569,545

(See accompanying note to the financial statements)

SOUTH SEATTLE COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

	2019		
Years Ended December 31,	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenue			
Contributions	$ 49,531	$ 273,704	$ 323,235
Interest and dividends	228,654	306,924	535,578
Net realized/unrealized gains (losses) on investments, net of fees	1,044,420	1,798,594	2,843,014
Total Revenue	1,322,605	2,379,222	3,701,827
Net assets released due to satisfaction of restrictions	791,809	(791,809)	-
	2,114,414	1,587,413	3,701,827
Expenses			
Scholarships and other program expenses	1,145,375	-	1,145,375
Fundraising	-	-	-
Management and general	134,740	-	134,740
Total Expenses	1,280,115	-	1,280,115
Change in Net Assets	834,299	1,587,413	2,421,712
Net Assets, beginning of year	7,126,423	11,356,417	18,482,840
Net Assets, end of year	$ 7,960,722	$ 12,943,830	$ 20,904,552

(See accompanying note to the financial statements)

SOUTH SEATTLE COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

Years Ended December 31,	**2019**
Cash Flows for Operating Activities	
Change in net assets	$ 2,421,712
Adjustments to reconcile change in net assets to	
net cash flows for operating activities:	
Net realized/unrealized (gains) losses on investments	(2,926,866)
Cash received from contributions restricted for endowment	(348,838)
Write-off of uncollectible accounts	48,806
Changes in assets and liabilities	
Promises to give	68,400
Prepaid expenses and other assets	3,379
Accounts payable	404,743
Funds held for others	260,250
Net Cash Flows for Operating Activities	(68,414)
Cash Flows for Investing Activity	
Purchases of investments, net	(213,362)
Cash Flows from Financing Activity	
Cash received from contributions restricted for endowment	348,838
Net Change in Cash and Cash Equivalents	67,062
Cash and Cash Equivalents, beginning of year	138,103
Cash and Cash Equivalents, end of year	$ 205,165
Cash and Cash Equivalents	$ 197,719
Endowment Cash and Cash Equivalents	7,446
Total Cash and Cash Equivalents	$ 205,165

(See accompanying note to the financial statements)

Notes to the Financial Statements
June 30, 2020
These notes form an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

The Seattle Colleges Foundation, The Foundation for Seattle Colleges, and The South Seattle College Foundation are separate but affiliated non-profit entities incorporated under Washington law and recognized as tax-exempt 501(c) (3) charities. The Foundations' charitable purposes are to raise funds for student support. Each Foundation is a discrete component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14 because the majority of the Foundations' income and resources are restricted by donors and may only be used for the benefit of the colleges or the colleges' students. A discrete component unit is an entity that is legally separate from the Colleges; however, because the Foundations have the potential to provide significant financial benefits to the Colleges, their relationship with the Colleges is such that excluding their income and resources would cause the College's financial statements to be misleading or incomplete.

The discretely presented financial statements of Seattle Colleges Foundation, The Foundation for Seattle Colleges and The South Seattle College Foundation are included in this report and were prepared in accordance with GAAP. Seattle Colleges Foundation distributed $1,838,498 and South Seattle Colleges Foundation distributed $568,672 to the Colleges in FY20. Financial Statement presentation does not eliminate intra-entity transactions and balances between the College and the Foundation. Contact the Advancement Administrative Offices for a complete copy of each of the Foundation's most recent financial statements:

Seattle Colleges

1500 Harvard Ave.

Seattle, WA 98122

advancement@seattlecolleges.edu

Attn: Brian Rucci, Advancement

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

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

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

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

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

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents, U.S. Treasuries and U.S. Agency securities.

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. Presentation of accounts receivable is net of estimated uncollectible amounts.

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

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

The college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2020, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds collected prior to the end of the fiscal year relate to the subsequent fiscal year. Unearned revenues also include tuition and fees paid with financial aid funds. The College has recorded summer and fall quarter tuition and fees, housing deposits and advanced grant proceeds as unearned revenues.

Tax Exemption

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

Pension Liability

For purposes of measuring the net pension liability in accordance with GASB Statement No 68, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

OPEB Liability

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

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

Net Position

The College's net position classification is as follows:

- Net Investment in Capital Assets. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

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

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

- Restricted for Expendable. This consists of college resources the spending of which is restricted legally or contractually by third parties.

- Unrestricted. These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

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

Classification of Revenues and Expenses
The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues. This includes activities directly related to the principal operations of the College, such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) federal, state and local grants and contracts that primarily support the operational/educational activities of the colleges.

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

Non-operating Revenues. This includes activities not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government. In FY20, non-operating revenues also included funds received through the federal CARES act.

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

Scholarship Discounts and Allowances
Student tuition and fee revenues and certain other revenues from students are 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 either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs satisfy tuition, fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2020 are $9,035,316.

State Appropriations
The State of Washington appropriates funds to the College on both an annual and biennial basis. State appropriation revenues are included in non-operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position. State appropriation revenues are reimbursement for expenses incurred for the period.

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

allocation process. The Building Fee is remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

Note 2 - Accounting and Reporting Changes

Accounting Standards Impacting the Future

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* which postponed the effective dates of Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The college is following the State's Office of Financial Management directives on these postponements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which was to be in effect beginning fiscal year 2021. GASB 95 postponed the effective date to fiscal year 2022. 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.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which will be effective for the fiscal year ending June 30, 2021. GASB 95 has postponed the effective date to fiscal year 2022. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by the College. The Statement applies on a prospective basis and the interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated.

Note 3 - Deposits and Investments

Deposits

Cash and cash equivalents include bank demand deposits, petty cash held at the College and unit shares in the Washington State Treasurer's Local Government Investment Pool (LGIP). The

Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates. For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Restricted cash is recorded at fair value. Cash is restricted for contractor retainage held and a state requirement that funds be restricted for the financial benefit of students.

Investments in Local Government Investment Pool (LGIP)

The College is a participant in the Local Government Investment Pool as authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually. Proposed changes to the investment policy are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 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 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, online at http://www.tre.wa.gov.

As of June 30, 2020, the carrying amount of the College's cash and equivalents was $60,684,778 as represented in the table below.

Cash and Cash Equivalents		**June 30, 2020**
Petty Cash and Change Funds	$	22,668
Bank Demand and Time Deposits		18,750,772
Local Government Investment Pool		41,911,338
Total Cash and Cash Equivalents	**$**	**60,684,778**

Custodial Credit Risks—Deposits

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

Investments

Investments by the college consist of Treasury obligations and U.S. Government Agency securities.

Fair value measurement is based on the assumptions that market participants would use in pricing the asset. The three levels of the fair value hierarchy are described as:

> Level 1 – Quoted market prices: Unadjusted quoted prices available in active markets for identical assets or liabilities
>
> Level 2 – Observable inputs: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
>
> Level 3 – Unobservable inputs that are significant to the fair value measurement.

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

U.S. Government Treasury Note strips held by the College are classified as Level 1 in the fair value hierarchy. Bonds held by the College are obligations of the United States, its agencies or government sponsored entities and are classified as Level 2 in the fair value hierarchy. As of June 30, 2020, the fair value of investments was $17,727,910.

Investment Maturities	Fair Value	One Year or Less	1 - 5 Years	6 - 10 Years	10 or More Years
U.S. Treasury obligations	3,169,930	3,169,930		-	-
U.S. Agency securities	14,557,980	11,988,648	2,569,332	-	-
Total Investments	**17,727,910**	**15,158,578**	**2,569,332**	**-**	**-**

Interest Rate Risk—Investments

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

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

Investments are listed by issuer in the table below. U.S. Treasury T-Note Strip is a direct obligation of the U.S. Treasury. Government sponsored enterprises (GSE's), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corp (FHLMC), Federal National Mortgage Association (FNMA), all issue agency bonds. Each of these agencies has a credit rating of AAA that represents an exceptional degree of creditworthiness. Financing Corporation (FICO) is a U.S. Government agency. U.S. Treasury bonds back zero-coupon Treasury securities issued by FICO. Resolution Funding Corporation (RFCSP) securities are obligations of the U.S. Treasury.

Issuer	Fair Value		Rating*
U.S. Treasury T-Note Strip	$	3,169,930	AAA
FHLB		2,569,332	AAA
RFCSP		11,988,648	NR AGY
Total Investments	$	17,727,910	

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

Custodial Credit Risk—Investments
Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2020, the College's investments held by US Bank are in the College's name and therefore not exposed to custodial credit risk.

Note 4 - Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2020, accounts receivable are as follows:

Accounts Receivable	**Amount**
Student Tuition and Fees	$ 3,135,549
Due from the Federal Government	1,900,849
Due from Other State Agencies	23,049,457
Auxiliary Enterprises	760,721
Other	33,154
Subtotal	28,879,730
Less Allowance for Uncollectible Accounts	(957,065)
Accounts Receivable, net	**$ 27,922,665**

Note 5 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2020 is presented below. The current year depreciation expense was $8,639,721.

Capital Assets	**Beginning Balance**	**Additions/ Transfers**	**Retirements**	**Ending Balance**
Capital assets, non-depreciable				
Land	$ 7,508,685	$ -	$ -	$ 7,508,685
Construction in progress	2,860,750	5,337,064		8,197,814
Total capital assets, non-depreciable	10,369,435	5,337,064	-	15,706,499
Capital assets, depreciable				
Buildings	312,561,926	-	(3,351,299)	309,210,627
Other improvements and infrastructure	1,625,801	-	-	1,625,801
Equipment	29,599,360	917,940	(5,796,934)	24,720,366
Library resources	1,145,430	127,485	(129,642)	1,143,273
Total capital assets, depreciable	344,932,517	1,045,425	(9,277,875)	336,700,067
Less accumulated depreciation				
Buildings	119,916,794	7,205,055	(1,979,706)	125,142,143
Other improvements and infrastructure	838,160	78,166	-	916,326
Equipment	25,183,441	1,203,970	(5,716,163)	20,671,248
Library resources	624,941	152,529	(129,642)	647,828
Total accumulated depreciation	146,563,336	8,639,720	(7,825,511)	147,377,545
Total capital assets, depreciable, net	198,369,181	(7,594,295)	(1,452,364)	189,322,522
Capital assets, net	**$208,738,616**	**$ (2,257,231)**	**$ (1,452,364)**	**$205,029,021**

Note 6 - Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2020 were as follows:

Accounts Payable and Accrued Liabilities		Amount
Amounts Owed to Employees	$	3,775,843
Accounts Payable		4,065,469
Amounts Held for Others and Retainage		4,560,465
Total	**$**	**12,401,777**

Note 7 - Unearned Revenue

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

Unearned Revenue		Amount
Summer Quarter Tuition & Fees	$	6,355,331
CARES Act unearned	$	2,067,047
Housing and Other Deposits		512,051
Total Unearned Revenue	**$**	**8,934,429**

Note 8 - Risk Management

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

The College 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 combined limit is equal to the value of buildings acquired with certificates of participation. The college has had no claims in excess of the coverage amount within the past three years. The College assumes its potential property losses for most other buildings and contents.

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2019 through June 30, 2020, were $587,865. Cash reserves for unemployment compensation for all employees at June 30, 2020, were $482,929.

Note 9 - Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire receive 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when earned. The sick leave liability is an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $6,836,518 compensated absences totaled $1,615 and accrued sick leave totaled $7,322,499 as of June 30, 2020.

Note 10 - Leases Payable

The College has leases for classroom space, housing for international students and office equipment with various vendors. These leases are classified as operating leases. As of June 30, 2020, the minimum lease payments under operating leases consist of the following:

Fiscal year	**Operating Leases**	
2021	$	2,216,788
2022		2,278,313
2023		2,300,781
2024		1,684,797
2025		1,618,030
2026-2030		7,566,573
Total minimum lease payments	**$**	**17,665,282**

Note 11 - Notes Payable

In June 2010, the College obtained financing in order to build The Opportunity Center for Employment and Education aka Employee Resource Center Building, through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $9,375,000. The interest rate charged was 4.05%. In October 2019, the college refunded this COP in the amount of $5,240,000 at a lower interest rate of 1.64%, saving the college significant interest charges over 11 years. In August 2018, the College obtained financing for Broadway Edison building energy efficiency project, through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $880,000. The interest rate charged is 2.76%.

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

Note 12 - Annual Debt Service Requirements

Future debt service requirements at June 30, 2020 are as follows:

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2021	$ 440,000	$ 279,000	$ 719,000
2022	465,000	257,000	722,000
2023	490,000	233,750	723,750
2024	510,000	209,250	719,250
2025	540,000	183,750	723,750
2026-2030	3,135,000	484,500	3,619,500
Thereafter	-	-	-
Total	**$ 5,580,000**	**$ 1,647,250**	**$ 7,227,250**

The COP total principal balance plus unamortized premium on refunded COP is reflected in the balance outstanding 6/30/20 in Note 13 - Schedule of Long-Term Liabilities.

Note 13 - Schedule of Long-Term Liabilities

	Balance outstanding 6/30/19	Additions	Reductions	Balance outstanding 6/30/20	Current portion
Certificates of Participation	$ 6,980,000	$ 6,172,096	$ 6,724,736	$ 6,427,360	$ 524,736
Compensation absences	12,417,250	5,703,866	3,960,484	14,160,632	3,874,633
Net pension liability	15,847,636	7,869,651	11,689,182	12,028,105	-
Total pension liability	10,144,674	14,297,406	10,348,977	14,093,103	204,303
OPEB liability	62,610,709	34,099,162	26,224,216	70,485,655	1,215,388
Total	**$ 108,000,269**	**$68,142,181**	**$58,947,595**	**$ 117,194,855**	**$ 5,819,060**

Note 14 - Retirement Plans

A. General

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

Basis of Accounting

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

In accordance with Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities. The College has elected to use the current fiscal year end as the measurement date for reporting pension liabilities for the Higher Education Supplemental Retirement Plan.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 and No. 73 for Seattle Colleges, for fiscal year 2020:

Aggregate Pension Amounts - All Plans

Pension Liabilities	$	(26,121,208)
Deferred outflows of resources related to pensions	$	10,011,677
Deferred inflows of resources related to pensions	$	(10,728,489)
Pension Expense	$	1,480,903

Department of Retirement Systems

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

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

- Public Employees’ Retirement System (PERS)

  Plan 1 - defined benefit

  Plan 2 - defined benefit

  Plan 3 - defined benefit/defined contribution

- Teachers’ Retirement System (TRS)

  Plan 1 - defined benefit

  Plan 2 - defined benefit

  Plan 3 - defined benefit/defined contribution

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

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

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

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

Higher Education

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

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

PERS

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

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.
PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

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

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

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

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

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

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

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

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

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

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

TRS

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

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

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

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

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

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

Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months. TRS Plan 2 members have the option to retire early with reduced benefits.

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

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

Contributions

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

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

The employer contribution rates (expressed as a percentage of covered payroll) and actual contributions for the year ended June 30, 2020 were as follows:

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rate	12.75%	12.75%	15.45%	15.45%
Actual Contributions	$1,692,638	$2,752,640	$129,947	$141,569

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

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	3.50%

Investment rate of return	7.40%

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the 2007-2012 Experience Study Report and the 2017 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report.

The Office of the State Actuary (OSA) selected a 7.40 percent long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the WSIB.

The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

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

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

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, 2019, are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Fixed Income	20%	2.2%
Tangible Assets	7%	5.1%
Real Estate	18%	5.8%
Global Equity	32%	6.3%
Private Equity	23%	9.3%
Total	**100%**	

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

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

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

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 and TRS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

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

	1% Decrease (6.4%)	**Current Discount Rate (7.4%)**	**1% Increase (8.4%)**
PERS 1	$ 10,779,452	$ 8,607,596	$ 6,723,226
PERS 2/3	21,030,614	2,742,073	(12,264,883)
TRS 1	701,317	548,712	416,339
TRS 2/3	706,958	129,720	(339,615)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
Pension Liabilities. At June 30, 2020, the College reported a total pension liability of $12,028,105 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 8,607,599
PERS 2/3	2,742,074

TRS 1	548,712
TRS 2/3	129,720

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

	2019	**2018**	**Change**
PERS 1	0.22384%	0.22737%	0.00353%
PERS 2/3	0.28230%	0.28307%	0.00077%
TRS 1	0.02216%	0.02563%	0.00346%
TRS 2/3	0.02153%	0.02478%	0.00325%

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

Pension Expense. For the year ended June 30, 2020 the College recognized pension expense as follows:

	Pension Expense
PERS 1	$ 234,717
PERS 2/3	590,057
TRS 1	(79,700)
TRS 2/3	93,617
TOTAL	838,691

Deferred Outflows of Resources and Deferred Inflows of Resources. The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2020

PERS 1	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	575,060
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	1,692,638	-
Totals	**$ 1,692,638**	**$ 575,060**

PERS 2/3	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	785,611	589,531
Difference between expected and actual earnings of pension plan investments	-	3,991,342
Changes of assumptions	70,216	1,150,483
Changes in College's proportionate share of pension liabilities	13,623	556,870
Contributions subsequent to the measurement date	2,752,640	-
Totals	**$ 3,622,090**	**$ 6,288,226**

TRS 1	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	42,082
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	129,947	-
Totals	**$ 129,947**	**$ 42,082**

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	90,196	4,174
Difference between expected and actual earnings of pension plan investments	-	111,993
Changes of assumptions	48,904	34,466
Changes in College's proportionate share of pension liabilities	18,140	47,921
Contributions subsequent to the measurement date	141,569	-
Totals	**$ 298,809**	**$ 198,554**

The $4,716,793 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2021.

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

Year ended June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2021	(126,948)	(1,317,414)	(8,638)	(8,152)
2022	(300,702)	(2,155,369)	(22,592)	(43,433)
2023	(107,308)	(1,015,357)	(7,944)	(15,032)
2024	(40,102)	(593,087)	(2,908)	(3,497)
2025	-	(331,697)	-	5,946
Thereafter	-	(5,853)	-	22,853
Total	**$ (575,060)**	**$ (5,418,777)**	**$ (42,082)**	**$ (41,315)**

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

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

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2020 were each $5,094,919.

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

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

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

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

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2020, supplemental benefits were paid by the SBCTC on behalf of the College in the amount of $1,785,000. The College's share of this amount was $171,542.32. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2020, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $319,161. This amount was not used as a part of GASB73 calculations as its status as an asset has not been determined by the Legislature. As of June 30, 2020, the Community and Technical College system accounted for $23,208,875 of the fund balance.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2018, with the results rolled forward to the June 30, 2020, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Material assumption changes during the measurement period include the discount rate decrease from 3.50 percent to 2.21 percent.

Discount Rate. For purposes of determining the discount rate, the Bond Buyer 20-Bond general obligation index was used. Also reflected was the Fiscal Year 2020 returns for the Teachers Insurance and Annuity Association of America (TIAA) and CREF investments which are used to determine a member's assumed income.

Pension Expense. Pension expense for the fiscal year ending June 30, 2020 was $642,214.

Proportionate Share (%)		**9. 60834%**
Service Cost	$	337,871
Interest		380,066
Amortization of Differences Between Expected and Actual Experience		(243,051)
Amortization of Changes of Assumptions		355,564
Changes of Benefit Terms		-
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		**830,450**
Amortization of the Change in Proportionate Share of TPL		(188,236)
Total Pension Expense	**$**	**642,214**

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for fiscal year ending June 30, 2020 was 9.61%. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating College's. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Proportionate Share (%) 2019	**9.19%**
Proportionate Share (%) 2020	**9.61%**
Total Pension Liability - Ending 2019	$ 10,144,675
Total Pension Liability - Beginning 2020	10,606,177
Total Pension Liability - Change in Proportion	461,502
Total Deferred Inflow/Outflows - 2019	1,212,773
Total Deferred Inflow/Outflows - 2020	1,267,944
Total Deferred Inflows/Outflows - Change in Proportion	55,171
Total Change in Proportion	**$ 516,673**

Plan Membership. Membership in the State Board Supplemental Retirement Plan consisted of the following as of June 30, 2018, the most recent actuarial valuation date:

	Number of Participating Members			
Plan	**Inactive Members or Beneficiaries Currently Receiving Benefits**	**Inactive Members Entitled to But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
SRP	13	55	516	584

Change in Total Pension Liability. The following table presents the change in total pension liability of the State Board Supplemental Retirement Plan at June 30, 2020:

Schedule of Changes in Total Pension Liability

	Amount
Service Cost	$ 337,871
Interest	380,066
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	800,805
Changes in Assumptions	2,139,727
Benefit Payments	(171,542)
Change in Proportionate Share of TPL	461,496
Other	-
Net Change in Total Pension Liability	3,948,423
Total Pension Liability - Beginning	10,144,675
Total Pension Liability - Ending	**$ 14,093,098**

Sensitivity of the Total Pension Liability to Changes in the Discount Rate. The following table presents the total pension liability, calculated using the discount rate of 3.50 percent, as well as what the employers' total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
$ 16,205,840	$ 14,093,103	$ 12,352,405

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

At June 30, 2020, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 1,138,983	$ 1,777,798
Changes of Assumptions	2,682,361	$ 483,470
Changes in College's proportionate share of pension liability	446,846	$ 1,363,298
Transactions Subsequent to the Measurement Date	-	-
Total	**$ 4,268,190**	**$ 3,624,566**

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

	State Board Supplemental Retirement Plan
2021	(75,723)

2022	(75,723)
2023	(75,723)
2024	82,623
2025	320,237
Thereafter	467,963

Note 15 - Other Post-Employment Benefits

Plan Description. In addition to pension benefits as described in Note 14, the College, through the Health Care Authority (HCA), administers a single employer defined benefit through the Other Postemployment Benefit (OPEB) plan. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

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

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

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

Summary of Plan Participants
As of June 30, 2019

Active Employees*	1,496
Retirees Receiving Benefits**	492
Retirees Not Receiving Benefits***	74
Total Active Employees and Retirees	2,062

*Reflects active employees eligible for PEBB program participation as of June 30, 2018.
**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.
***This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

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

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2018, the average weighted implicit subsidy was valued at $347 per adult unit per month. In calendar year 2019, the average weighted implicit subsidy is projected to be $367 per adult unit per month. In calendar 2020, the average weighted implicit subsidy is projected to be #373 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 2019 the explicit subsidy was $168 per member per month. It is projected to increase to $183 per member per month in calendar year 2020.

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

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

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

Required Premium*		
Medical	$	1,100
Dental		81
Life		4
Long-term Disability		2
Total		1,187
Employer contribution		1,024
Employee contribution		162
Total	$	1,186

*Per 2020 PEBB Financial Projection Model 3.3. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2020 which includes projected claims cost at the time of this reporting.

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

Total OPEB Liability

As of June 30, 2020, the state reported a total OPEB liability of $5.80 billion. The College's proportionate share of the total OPEB liability is $70,485,655. This liability was determined based on a measurement date of June 30, 2019.

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, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

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

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

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

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

Actuarial Valuation Date	6/30/2018
Actuarial Measurement Date	6/30/2019
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond

Municipal Bond Index, or 3.87 percent for the June 30, 2018 measurement date and 3.5 percent for the June 30, 2019 measurement date.

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

Changes in Total OPEB Liability

As of June 30, 2020, components of the calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

Seattle Colleges		
Proportionate Share (%)		**1.2144618306%**
Service Cost	$	2,854,005
Interest Cost		2,475,686
Differences Between Expected and Actual Experienc		-
Changes in Assumptions*		4,610,377
Changes of Benefit Terms		-
Benefit Payments		(1,132,477)
Changes in Proportionate Share		(932,644)
Other		-
Net Change in Total OPEB Liability		7,874,947
Total OPEB Liability - Beginning		62,610,708
Total OPEB Liability - Ending	**$**	**70,485,655**

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

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of the College, calculated using the discount rate of 3.5 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 (2.5 percent) or 1 percentage point higher (4.5 percent) than the current rate:

Discount Rate Sensitivity		
1% Decrease	**Current Discount Rate**	**1% Increase**
$ 85,355,769	$ 70,485,655	$ 58,935,981

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

Health Care Cost Trend Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$ 57,047,435	$ 70,485,655	$ 88,571,458

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

For the year ending June 30, 2020, the College will recognize OPEB expense of $1,725,270. OPEB expense consists of the following elements:

Seattle Colleges	
Proportionate Share (%)	**1.2144618306%**
Service Cost	$ 2,854,005
Interest Cost	2,475,686
Amortization of Differences Between Expected and Actual Experience	268,884
Amortization of Changes in Assumptions	(2,581,246)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(1,292,059)
Administrative Expenses	-
Total OPEB Expense	**$ 1,725,270**

As of June 30, 2020, the deferred inflows and deferred outflows of resources for the College are as follows:

Seattle Colleges		
Proportionate Share (%)	**1.2144618306%**	
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience	$ 1,882,190	$ -
Changes in assumptions	4,098,114	20,436,826
Transactions subsequent to the measurement date	1,215,388	-
Changes in proportion	-	8,604,182
Total Deferred Inflows/Outflows	**$ 7,195,692**	**$ 29,041,008**

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

Proportionate Share (%)	**1.2144618306%**
2021	$ (3,604,420)
2022	$ (3,604,420)
2023	$ (3,604,420)
2024	$ (3,604,420)
2025	$ (3,604,420)
Thereafter	$ (5,038,604)

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 (%) 2018		**1.2328259047%**
Proportionate Share (%) 2019		**1.2144618306%**
Total OPEB Liability - Ending 2018	$	62,610,708
Total OPEB Liability - Beginning 2019		61,678,064
Total OPEB Liability Change in Proportion		(932,644)
Total Deferred Inflows/Outflows - 2018		(20,552,939)
Total Deferred Inflows/Outflows - 2019		(20,246,785)
Total Deferred Inflows/Outflows Change in Proportion		306,154
Total Change in Proportion	**$**	**(1,238,798)**

Note 16 - Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2020.

Expenses by Functional Classification		
Instruction	$	103,850,729
Academic Support Services		14,453,634
Student Services		25,846,279
Institutional Support		20,072,214
Operations and Maintenance of Plant		14,781,476
Auxiliary enterprises		17,030,465
Student Financial Aid		19,899,702
Depreciation		8,468,775
Total operating expenses	**$**	**224,403,274**

Note 17 - Commitments and Contingencies

The College has commitments of $26,137,780 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

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.

Note 18 – Discreetly Presented Component Unit Disclosures

A. Organization and Significant Accounting Policies

Seattle Colleges Foundation

Organization

The Seattle Colleges Foundation ("the Foundation"), is a nonprofit organization organized in April 2018, and located in Seattle, Washington.

The Foundation advances the mission, work, and impact of the District of Seattle Colleges ("the District"), by engaging our community to transform lives, promote equity, and increase access to quality, affordable education. While the Foundation's Board of Directors is separate and distinct from the District's Board of Trustees, the District's Vice Chancellor for Advancement acts as the Chief Executive Officer of the Foundation, subject to the oversight of the Foundation's Board of Directors. Operational costs are primarily supported by in-kind contributions from the District, and by private philanthropy.

The Foundation's primary activities include raising funds for a range of purposes, including scholarships, capital improvements, and academic programs with the goal of promoting student success and strengthening the Seattle community. These activities include soliciting and receiving contributions and grants in the name of and on behalf of the District and the three colleges within the District – North Seattle College, Seattle Central College, and South Seattle College.

Contributions Receivable and Contributions Restricted for Endowments

Unconditional promises to give (contributions) are recognized as revenues in the period the Foundation is notified of the pledge. Contributions expected to be collected in less than one year are recorded at net realizable value. Contributions to be received in more than one year are discounted to net present value using a rate based on management's estimate commensurate with the related risk. As a result of this adjustment, contributions receivable are initially recognized at fair value. Amortization of the discount is included in contribution revenue. Pledges restricted for the endowment have been presented as noncurrent on the statements of financial position, as the donor has restricted the use of the funds (upon collection) to be invested in endowment investments, a noncurrent asset. There was no discount or allowance for uncollectible contributions at June 30, 2020 and 2019, as management believes the amounts are not material.

Contributions receivable from two and three donors made up 64% and 86% of contributions receivable (including those restricted for endowments) at June 30, 2020 and 2019, respectively.

During the year ended June 30, 2019, an unconditional promise to give (contribution revenue) of $1,205,000 (representing 23% of total support and revenue) was made from a corporation, of which the CFO is also a board member of the Foundation. The promise to give is included within contributions receivable at June 30, 2019, and is scheduled to be collected during the years ending June 30, 2020, through June 30, 2026. As of June 30, 2020, $900,000 was outstanding.

Land Sale - Endowment

The Foundation sold approximately 35 acres of land in Fall City, Washington. The value of the land was recognized at the fair value of the land (using Level 3 inputs, an appraisal) at the date of donation. The Foundation closed on its sale of the land, with net proceeds of $837,615, resulting in a gain on sale of $260,615. Proceeds from the sale of the land are restricted for the Central Commitment Scholarship Endowment Fund.

Foundation for Seattle Colleges

The Foundation for the Seattle Colleges (the “Foundation”) is a nonprofit organization established in 2006. It is located in Seattle, Washington.

The Foundation promotes advancement of education by providing support to the District for Seattle Colleges (the “District"), the three community colleges in Seattle (the “Colleges"), and the foundations for those three community colleges (the "College Foundations"). Prior to December 2018, the Foundation’s primary activities included engaging in fundraising and grantmaking activities in support of the District as a whole. These activities included soliciting and receiving contributions and grants in the name of and on behalf of the District, the Colleges, and the College Foundations, and making grants to the District, the Colleges, and the College Foundations.

In December 2018, the Foundation transferred its endowment and other assets held for grantmaking into the control of the newly formed Seattle Colleges Foundation. The Foundation granted a total of $1,560,034 in 2018, made up of $1,399,443 of investments held for the endowment and $160,591 of cash and cash equivalents. All existing restrictions from donors on these grants have been maintained by the Seattle Colleges Foundation. The Seattle Colleges Foundation maintains a separate board of directors and neither foundation exists exclusively to benefit the other. Any future contributions received by the Foundation are anticipated to be granted to the Seattle Colleges Foundation, although such grants are at the discretion of the Board of Directors of the Foundation (and subject to any donor-imposed restrictions).

Subsequent to this grant, the Foundation ceased its primary operations as a fundraising and grantmaking organization and will continue general operations related to the coordination of the Pacific Tower Rehabilitation Project (discussed below) for an indefinite time period.

In addition, as discussed below, the Foundation is coordinating the Pacific Tower Rehabilitation Project, which was substantially completed in June 2016, and continues to be its primary operations in support of the District

Principles of Consolidation

The financial statements consolidate the assets, liabilities, and activities of the Foundation's wholly owned subsidiary, Seattle Colleges Pacific Tower LLC, a Washington limited liability company ("Pacific Tower, LLC"), and Pacific Tower, LLC's consolidated subsidiaries, Pacific Tower QALICB, LLC ("the QALICB") and Pacific Tower Master Tenant, LLC ("the Master Tenant"), both Washington limited liability companies. The Pacific Tower, LLC is the managing member of the QALICB and the Master Tenant.

The Foundation, Pacific Tower, LLC, the QALICB, and the Master Tenant are collectively referred to as the Foundation in these consolidated financial statements. All significant inter-entity transactions have been eliminated in consolidation.

The noncontrolling interest presented in the consolidated financial statements represents the ownership interest of U.S. Bancorp Community Development Corporation ("U.S. Bank") in the Master Tenant.

The Pacific Tower, LLC, the QALICB, and the Master Tenant are limited liability companies (or "LLCs"), and as LLCs, the liability of the members is generally limited to the amounts invested. The LLCs have perpetual lives unless dissolved sooner.

Pacific Tower Rehabilitation Project

In November 2013, the State of Washington Department of Commerce ("Commerce") entered into a master lease with the Pacific Hospital Preservation and Development Authority ("the lessor") for certain space within the Pacific Tower, a historic landmark building located at 1200 12th Avenue South, Seattle, Washington. Commerce sought supplemental funding to remodel the Pacific Tower, including the use of federal tax credits (see below). Only a for-profit developer, however, can take advantage of those credits, and as a result, Commerce wanted to finance the remodel through a sale to a third party of the earned credits. Commerce, therefore, approached the District and the Foundation to facilitate a tax credit financing component for the Pacific Tower remodeling. In August 2015, the Foundation entered into a sublease with Commerce for all space within the Pacific Tower to be rehabilitated into a new satellite campus: The Pacific Tower Health and Education Innovation Center ("the Rehabilitation Project").

In December 2014, the Foundation created the Pacific Tower, LLC to be its agent in the Rehabilitation Project. The Foundation took responsibility for aggregating all resources for the Rehabilitation Project, which was completed in June 2016.

The QALICB was formed in December 2014 to hold a sublease interest in and coordinated most of the actual development for the Rehabilitation Project. Pacific Tower, LLC has an ownership interest of 70% in the QALICB and is the managing member. The remaining 30% ownership interest is held by the Master Tenant, the investor member.

The Master Tenant was formed in January 2015 to lease the Pacific Tower space from the QALICB and manage its tenants. Pacific Tower, LLC has an ownership interest of 1% in the Master Tenant and is the managing member. The remaining 99% ownership interest is held by U.S. Bank, the noncontrolling/investor member.

The QALICB has received an allocation of New Markets Tax Credits ("NMTCs") under Section 45 and historic rehabilitation tax credits ("HTCs") under Section 47 of the Internal Revenue Code. All HTCs generated in the QALICB's rehabilitation of the Pacific Tower are to be passed through to the Master Tenant, and proportionately in accordance with ownership percentages to its members (Pacific Tower, LLC and U.S. Bank). In order to avoid tax credit recapture to U.S. Bank (the NMTC and HTC tax credit investor and 99% owner of the Master Tenant), the Master Tenant must remain the subtenant of the QALICB under the Master Lease, the QALICB must remain the subtenant of the leased premises from the Foundation for the compliance periods, and the Pacific Tower is to be developed and used as an urban educational and health services center during the compliance periods. The NMTC recapture and compliance period is the seven years ending August 2022. The HTC recapture and compliance period is the five-year period ending in June 2021.

Sublease of the Pacific Tower

In August 2015, the Foundation entered into a sublease for the Pacific Tower with Commerce through December 2043 (the “Sublease"). Commerce leases the space from the Pacific Hospital Preservation and Development Authority. Under the Sublease, annual base rent of A1 is to be paid to Commerce. In 2015, the Foundation recognized an in kind contribution of use of facilities for the difference between the fair value of leased premises and the $1 incurred for the noncancelable lease period from August 2015 through August 2022 (end of the NTMC compliance period; see also F. below for purchase price option and unwind) totaling $19,814,683. A discount was not recognized on the long-term pledge as the amount was not material. The use of facilities contribution receivable is amortized on a straight-line basis over the seven-year period to rent expense. Amortization to rent expense was $2,830,669 for the year ended December 31, 2019. The unamortized balance of the contribution receivable was $7,430,507 at December 31, 2019.

In addition, under the Sublease, certain operating costs for the Pacific Tower are charged to the Foundation from Commerce. Operating costs charged to the Foundation are based on actual costs incurred and, therefore, are indeterminable for future periods. Operating costs were $2,085,285 in 2019 and are presented as rental operating expenses on the consolidated statements of functional expenses.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value at the time of the donation, if donated. The Foundation capitalizes all items with a useful life of more than one year. Depreciation of furniture, fixtures, and equipment is provided using the straight-line method over the estimated useful lives of the assets (5 to 15 years). Amortization of leasehold improvements is computed by the straight-line method over the shorter of the improvement's life or the estimated lease term (27.5 years). Maintenance and repair costs that do not increase the value of the assets or materially extend asset lives are charged to operating expense in the year the expense is incurred. Property and equipment consist of the following at December 31, 2019:

Leasehold improvements	$ 46,860,732
Furniture, fixtures, and equipment	1,506,221
Less: Accumulated depreciation and amortization	(7,685,318)
	$ 40,681,635

B. Investments

Seattle Colleges Foundation

Investments consist of the following at June 30:

		2020
Cash and cash equivalents	$	3,523,608
Government and agency securities		-
Municipal bonds		-
Corporate bonds		1,159,885
Bond mutual funds		
Short-term		1,138,537
Intermediate-term		4,953,289
Long-term		8,091,987
Equity mutual funds		
Large blend		1,712,509
Foreign large blend		4,855,026
Large value		29,920
Small-cap		-
Mid-cap blend		-
Mid-cap value		-
Diversified emerging markets		-
	$	25,464,761

The Foundation classifies its investments as based on its reserve policies or if the investments are held for endowments as noncurrent assets. Investments are presented in the statements of financial position as follows at June 30:

		2020
Investments	$	6,378,299
Investments held for endowments		19,086,462
	$	25,464,761

South Seattle Colleges Foundation

Investments consist of a series of common stock and debt and equity mutual funds, and are stated at fair value using Level 1 market inputs determined by quoted market prices on national exchanges. Investment income and gains and losses on investments are recorded as unrestricted revenue unless a donor or law temporarily or permanently restricts their use.

The Foundation's investments consist primarily of mutual funds and common stock as follows at December 31:

		2019
Cash	$	271,587
Common Stock		
Domestic		631,296
Exchange-Traded Funds		
Diversified emerging markets		1,012,937
Large growth		408,134
Infrastructure		236,675
Large blend		215,647
Foreign large blend		205,977
		2,079,370
Mutual funds		
Equity		
Large cap blend		4,639,955
Foreign large blend		1,740,863
Mid cap blend		841,376
Natural resources		732,631
Small cap blend		643,660
Foreign large growth		620,781
Foreign large value		543,565
Large growth		476,999
Global real estate		427,354
Large value		398,894
Foreign small/mid blend		347,685
Diversified emerging markets		202,306
		11,616,069
Fixed income		
Intermediate-term bond		1,796,303
High-yield bond		1,370,515
Intermediate core-plus bond		1,330,981
Ultrashort bond		1,209,171
Short-term bond		494,312
Inflation-protected bond		162,812
		6,364,094
	$	20,962,416

C. Loans Receivable

Foundation for Seattle Colleges

In August 2015, the Foundation loaned $14,122,050 ("Loan A") and $2,000,000 ("Loan B") (collectively, "the Leverage Loans") to Twain Investment Fund 69, LLC ("the Fund"). The Fund is 99.99% owned by U.S. Bank. The Fund used the loan proceeds, through other intermediary entities, to make NMTC loans to the QALICB (see Note 7). The Leverage Loans bear fixed interest at 1.36% and require quarterly interest-only payments through December 15, 2029. Beginning March 15, 2030, annual principal and interest payments are due in the amount necessary to repay the outstanding principal and unpaid interest of the Leverage Loans by June 30, 2045 (maturity). The loan is effectively secured by the capital investments of QALICB. The Foundation and U.S. Bank have entered into a put/call agreement whereby the Foundation can acquire U.S. Bank's interest in the Fund at the end of the NMTC compliance period. See F. Purchase Price Option and Unwind.

D. Loans Payable

Foundation for Seattle Colleges

Loans payable consisted of the following at December 31, 2019:

NMTC Loans

In August 2015, the Foundation borrowed a total of $22,500,000 from Seattle Subsidiary Investment Fund VII, LLC (Loans A1 and B1), Consortium America LX, LLC (Loans A2 and B2), and URP Subsidiary CDE XXIII, LLC (Loans A3 and B3) for the purpose of investing in the Rehabilitation Project. The lenders were created solely for the purpose of obtaining the benefits of NMTCs. The NMTC investor/lender is U.S. Bank (through the Fund).

The financing arrangement consists of six loans as follows as of December 31, 2019:

	2019
Loan A1	$ 6,648,083
Loan B1	2,951,917
Loan A2	3,575,083
Loan B2	1,324,917
Loan A3	5,898,884
Loan B3	2,101,116
	22,500,000
Less: unamortized debt issuance costs	(2,199,429)
Total NMTC Loans, net	$ 20,300,571

All six loans bear interest at an annual rate of 1% and mature on December 31, 2049. Quarterly interest-only payments are due and payable through December 2029. Starting in March 2030 through the maturity date, payments of interest and principal, amortized over a 20-year term, shall be payable in quarterly installments due and payable on the fifth day of March, June, September, and December. All remaining principal and accrued and unpaid interest shall be due and payable on the maturity date (in 2049). During the year ended December 31, 2019, the Foundation incurred $225,000 in interest expense under loans payable.

Additionally, under the terms of the loan agreements discussed above, the Foundation pays to certain lenders annual asset management fees, administration fees, and other operating and administrative expenditures. These fees totaled $85,427 in 2019, which were expensed.

All loans are secured by collateral as defined by the Loan and Security Agreement, including all leasehold improvements, intangibles, assignment of rents, and restricted cash accounts.

WSHFC Loan

Also, in August 2015, the Foundation borrowed $2,000,000 from the Washington State Housing and Finance Commission for the purpose of investing in the Rehabilitation Project. The loan bears interest at a fixed rate of 1% and requires annual principal and interest payments, with all outstanding interest and principal due at maturity in February 2022. The loan is secured by Loan B (loan receivable). See C. Loans Receivable.

At December 31, 2019 the WSHFC loan has an outstanding principal balance of $1,117,334. At December 31, 2019 the loan has unamortized debt issuance costs of $6,410 which reduce the noncurrent portion of the loan payable on the consolidated statements of financial position.

Principal maturities on all loans payable discussed above are as follows:

Years Ending December 31,		
2020	'$	247,000
2021		266,000
2022		604,334
2023		
2024		
2025-2029		
2030-2034		5,210,917
2035-2039		5,477,745
2040-2044		5,758,240
2045-2049		6,053,098
		23,617,334
Less: Total unamortized debt issuance costs		(2,205,839)
	'$	21,411,495

Interest has not been imputed on any of the above loans payable that carry below-market rate interest as they carry certain restrictions. The restrictions require the Foundation to use the property as defined by the loan regulatory agreements.

E. Future Rental Revenue

Foundation for Seattle Colleges

Upon the execution of the Sublease, the Foundation entered various assignments and subleases of the space, effectively subleasing the space to the Master Tenant, which leases the space to various commercial tenants under noncancelable agreements. Terms of leases are generally up to 15 years with options to extend for up to 10 years. Most commercial leases include annual fixed escalation clauses of 3%, and additional rent is required to cover certain operating expenses of the Pacific Tower. Future minimum rentals to be received, excluding options to extend and operating expenses (as these costs are based on actual costs incurred), but including fixed escalation clauses, are as follows for the year ending December 31:

Years Ending December 31,		
2020	'$	2,344,860
2021		2,204,407
2022		2,257,047
2023		2,209,806
2024		2,199,975
Thereafter		8,827,233
		20,043,328

F. Purchase Price Option and Unwind

Foundation for Seattle Colleges

Master Tenant

The Foundation (acting as the sole member of Pacific Tower, LLC) and U.S. Bank, under the Master Tenant Operating Agreement, have entered into a put option agreement to take place at the end of the five-year HTC recapture and compliance period (June 2021). Under the agreement, U.S. Bank may exercise a put option to sell its interest in the Master Tenant. The purchase price for U.S. Bank's interest is defined as the lesser of the following:

- the appraised fair value of U.S. Bank's interest; or
- the sum of 5% of the aggregate amount of U.S. Bank's capital contributions, plus an amount equal to U.S. Bank's state and local transfer taxes in connection with the

exercising of the put option, plus the amount of all outstanding obligations due to U.S. Bank.

Certain disclosures in these financial statements may be significantly impacted in the event the put option is exercised.

Twain Investment Fund 69, LLC

The Foundation (acting as the sole member of Pacific Tower, LLC) and U.S. Bank have entered into a put/call option agreement to take place at the end of the seven-year NMTC compliance period. Under the agreement, U.S. Bank can exercise a put option to sell its interest in the Fund (U.S. Bank owns 100% and is the tax credit investor/lender) for $1,000 to the Foundation. The Fund holds a 99.99% ownership of each of the NMTC lending funds. If U.S. Bank does not exercise the put option within six months of the end of the seven-year period (August 2022), the Foundation has an additional six months in which it can exercise a call option to purchase the interest of the Fund at an appraised fair market value.

Under the Funding and Restoration Agreement with Commerce, in the event the put option of the Master Tenant and put/call option for the Fund are exercised, the following will occur:

- The sublease from Commerce will terminate;
- The subleases held by the Master Tenant with occupying tenants, will be assigned to Commerce; and
- The Property Management Agreement with Barrientos Ryan will terminate and all management of the Pacific Tower will revert to Commerce.

Certain other disclosures in these consolidated financial statements may be significantly impacted in the event the Master Tenant put option or the Fund put/call option and following unwind is exercised.

G. Company Profits and Losses and Distributions

Foundation for Seattle Colleges

Master Tenant

All profits and losses are allocated 1% to Pacific Tower, LLC and 99% to U.S. Bank. Net Cash Flow, as defined by the Master Tenant Operating Agreement, is to be distributed in accordance with the Master Tenant Operating Agreement.

Also, under the Master Tenant Operating Agreement, U.S. Bank earns an annual 2% Priority Return on cumulative capital contributions made to the Master Tenant. Priority Return payments are made based on available Net Cash Flow and are payable by January 31 of the following calendar year. Unpaid Priority Returns will continue to accrue until Net Cash Flow is available. As of December31, 2019, the Foundation had $190,745 of Priority Returns payable outstanding.

Net Cash Flows of approximately $221,000 were available for distribution at December 31, 2019. This amount available is expected to pay the $190,745 priority returns payable outstanding at December 31, 2019, as well as certain other distributions in accordance with the Operating Agreement (which have not yet been determined as of the date of this report).

QALICB

All profits and losses are allocated 70% to Pacific Tower, LLC and 30% to the Master Tenant. Net Cash Flow, as defined by the QALICB Operating Agreement, is to be distributed in accordance with the QALICB Operating Agreement. There were no Net Cash Flows available for distribution to its members at December 31, 2019.

H. COVID-19 and The Cares Act

Seattle Colleges Foundation

COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In March 2020, the Foundation was mandated by state order to close its school facilities due to the COVID-19 outbreak. The Foundation has ceased all in-person fundraising events and has focused efforts around campaigns to raise funding for the 2021 fiscal year. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report though. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation's financial condition, liquidity, and the future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplies, industry, andworkforce.

Although the Foundation cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, the Foundation continues to monitor internal and external factors that may affect future operations, financial position, and liquidity in fiscal year 2021.

The CARES Act

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security ("CARES") Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest

deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID 19. The Foundation did not receive assistance under this program. Management continues to examine the impact that the CARES Act may have on the Foundation. Currently, the Foundation does not believe the CARES Act will have a significant impact on its financial condition, results of operations, or liquidity.

Foundation for Seattle Colleges

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation's financial condition, liquidity, and future results of rental operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2020.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property. Management continues to examine the impact that the CARES Act may have on operations. Currently, management is unable to determine the impact that the CARES Act will have on the Foundation's financial condition, results of operation or liquidity.

South Seattle Colleges Foundation

The Foundation has evaluated subsequent events through the date these financial statements were available to be issued, which was September 16, 2020.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

As a result of the COVID-19 pandemic, the College is closed and operating remotely with most staff working from home. Students continue to have access to online financial aid software to apply for scholarships. There is a dedicated College staff member available to assist students with applications and answer questions. The Foundation operates remotely all year, so there is no adverse impact to the Foundation staff. Board meetings are now conducted via teleconferencing.

To mitigate the effects of the anticipated reduction in investment earnings, the Board approved a spending strategy for 2020 to use short-term non-endowed restricted funds first, and preserve long-term endowment earnings and unrestricted funds, when possible, to provide for future scholarships and operations. Unrestricted funds and donor-restricted funds intended to be used within one to two-years are held in high-quality, liquid and short-duration fixed-income funds in amounts sufficient to cover anticipated expenses for more than one year.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The Foundation continues to examine the impact that the CARES Act may have on its business. Currently, the Foundation is unable to determine the impact that the CARES Act will have on its financial condition, results of operations, or liquidity.

Note 19 – Subsequent Event

The state's phased re-opening plan introduced in May 2020 by the Governor of the State of Washington has been paused due to the increasing spread of COVID-19 in Washington. Seattle Colleges remain closed to the pubic except for staff performing essential functions, certain services by appointment only and programs that have some limited face-to-face instruction starting in September 2020.

The length of time these measures will be in place and the full extent of the financial impact on Seattle Colleges in unknown at this time.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

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

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

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.236912%	$ 11,934,553	$ 24,019,544	49.69%	61.19%
2015	0.243765%	$ 12,751,176	$ 26,975,186	47.27%	59.10%
2016	0.249531%	$ 13,400,990	$ 28,902,416	46.37%	57.03%
2017	0.244331%	$ 11,593,699	$ 29,375,810	39.47%	61.24%
2018	0.227371%	$ 10,154,469	$ 31,050,479	32.70%	63.22%
2019	0.223844%	$ 8,607,596	$ 35,057,326	24.55%	67.12%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

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

Schedule of Seattle Colleges' Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.282041%	$ 5,701,068	$ 23,171,384	24.60%	93.29%
2015	0.294144%	$ 10,509,935	$ 26,169,995	40.16%	89.20%
2016	0.301052%	$ 15,157,730	$ 28,146,998	53.85%	85.82%
2017	0.300851%	$ 10,453,128	$ 29,496,393	35.44%	90.97%
2018	0.283070%	$ 4,833,159	$ 30,753,777	15.72%	95.77%
2019	0.282298%	$ 2,742,073	$ 34,758,080	7.89%	97.77%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

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

Schedule of Seattle Colleges' Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.025445%	$ 750,488	$ 904,477	82.97%	68.77%
2015	0.029606%	$ 937,960	$ 1,258,555	74.53%	65.70%
2016	0.032263%	$ 1,101,535	$ 1,500,096	73.43%	62.07%
2017	0.030111%	$ 910,336	$ 1,550,219	58.72%	65.58%
2018	0.025627%	$ 748,460	$ 1,415,183	52.89%	66.52%
2019	0.022163%	$ 548,712	$ 1,772,206	30.96%	70.37%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

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

Schedule of Seattle Colleges' Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.017490%	$ 56,513	$ 725,181	7.79%	96.81%
2015	0.023049%	$ 194,488	$ 1,090,532	17.83%	92.48%
2016	0.027799%	$ 381,763	$ 1,377,445	27.72%	88.72%
2017	0.025890%	$ 238,950	$ 1,419,701	16.83%	93.14%
2018	0.024782%	$ 111,547	$ 1,386,360	8.05%	96.88%
2019	0.021529%	$ 129,720	$ 1,743,103	7.44%	96.36%
2020					
2021					
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 1,015,017	$ 1,015,017	$ -	$24,019,544	4.23%
2015	$ 1,121,180	$ 1,121,180	$ -	$26,975,186	4.16%
2016	$ 1,415,082	$ 1,415,082	$ -	$28,902,416	4.90%
2017	$ 1,469,711	$ 1,469,711	$ -	$30,067,061	4.89%
2018	$ 1,474,272	$ 1,474,272	$ -	$29,375,810	5.02%
2019	$ 1,610,060	$ 1,610,060	$ -	$31,050,479	5.19%
2020	$ 1,692,638	$ 1,692,638	$ -	$35,057,326	4.83%
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 1,153,123	$ 1,153,123	$ -	$23,171,384	4.98%
2015	$ 1,313,520	$ 1,313,520	$ -	$26,169,995	5.02%
2016	$ 1,737,946	$ 1,737,946	$ -	$28,146,998	6.17%
2017	$ 1,837,568	$ 1,837,568	$ -	$29,496,393	6.23%
2018	$ 2,184,202	$ 2,184,202	$ -	$29,375,810	7.44%
2019	$ 2,311,380	$ 2,311,380	$ -	$30,753,777	7.52%
2020	$ 2,752,640	$ 2,752,640	$ -	$34,758,080	7.92%
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

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

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 48,359	$ 48,359	$ -	$ 904,477	5.35%
2015	$ 66,409	$ 66,409	$ -	$ 1,258,555	5.28%
2016	$ 98,053	$ 98,053	$ -	$ 1,500,096	6.54%
2017	$ 105,368	$ 105,368	$ -	$ 1,550,219	6.80%
2018	$ 106,582	$ 106,582	$ -	$ 1,467,085	7.26%
2019	$ 109,973	$ 109,973	$ -	$ 1,459,969	7.53%
2020	$ 129,947	$ 129,947	$ -	$ 1,772,206	7.33%
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

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

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 41,146	$ 41,146	$ -	$ 725,181	5.67%
2015	$ 62,089	$ 62,089	$ -	$ 1,090,532	5.69%
2016	$ 90,738	$ 90,738	$ -	$ 1,377,445	6.59%
2017	$ 95,392	$ 95,392	$ -	$ 1,419,701	6.72%
2018	$ 110,176	$ 110,176	$ -	$ 1,428,031	7.72%
2019	$ 112,059	$ 112,059	$ -	$ 1,431,146	7.83%
2020	$ 141,569	$ 141,569	$ -	$ 1,743,103	8.12%
2021					
2022					
2023					

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

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Total Pension Liability and Related Ratios
Seattle College
Fiscal Year Ended June 30, 2020

(expressed in thousands)

	2017	2018	2019	2020
Total Pension Liability				
Service Cost	$ 584	$ 394	$ 262	$ 338
Interest	379	362	317	380
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(2,733)	(1,071)	597	801
Changes of assumptions	(645)	(362)	1,124	2,140
Benefit Payments	(97)	(134)	(167)	(172)
Change in Proportionate Share	-	(470)	(962)	461
Other	-	-	-	-
Net Change in Total Pension Liability	**(2,512)**	**(1,281)**	**1,171**	**3,948**
Total Pension Liability - Beginning	**12,766**	**10,254**	**8,973**	**10,144**
Total Pension Liability - Ending	**$ 10,254**	**$ 8,973**	**$ 10,144**	**$ 14,092**
College's Proportion of the Pension Liability	10.79%	10.29%	9.19%	9.61%
Covered-employee payroll	$ 59,921	$ 58,155	$ 59,289	$ 65,236
Total Pension Liability as a percentage of	17.11%	15.43%	17.11%	21.60%

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

Required Supplementary Information

Other Postemployment Benefits Information

Schedule of Changes in Total OPEB Liability and Related Ratios
Measurement Date of June 30*

Total OPEB Liability	**2019**	**2018**	**2017**
Service cost	$ 2,854,005	$ 3,914,518	$ 5,182,669
Interest cost	2,475,686	2,691,209	2,427,594
Difference between expected and actual experience	-	2,456,551	-
Changes in assumptions	4,610,377	(17,137,186)	(11,841,846)
Changes in benefit terms	-	-	-
Benefit payments	(1,132,477)	(1,136,632)	(1,237,141)
Changes in proportionate share	(932,644)	(4,625,174)	(5,280,670)
Other	-	-	-
Net Changes in Total OPEB Liability	$ 7,874,947	$ (13,836,714)	$ (10,749,394)
Total OPEB Liability - Beginning	$ 62,610,708	$ 76,447,422	$ 87,196,816
Total OPEB Liability - Ending	$ 70,485,655	$ 62,610,708	$ 76,447,422
College's proportion of the Total OPEB Liability (%	1.21446183%	1.23282590%	1.31221787%
Covered-employee payroll	$ 116,125,484	$ 106,011,911	$ 104,219,715
Total OPEB Liability as a percentage of covered-	60.697835%	59.060069%	73.352170%

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

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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