

Edmonds College Financial Report for Fiscal Year 2019-2020

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**Office of the Washington State Auditor
Pat McCarthy**

February 26, 2021

Board of Trustees
Edmonds College
Lynnwood, Washington

Report on Financial Statements

Please find attached our report on the Edmonds College's financial statements.

We are issuing this report for inclusion in the College's annual financial report package, which will be issued by the College under the College's own cover.

This report is in addition to our regular financial statement audit report, which will be available on our website and includes the College's basic financial statements.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.



**Office of the Washington State Auditor
Pat McCarthy**

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

February 26, 2021

Board of Trustees
Edmonds College
Lynnwood, 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 Edmonds College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

misstatement. The financial statements of the Foundation were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Edmonds College, 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

The financial statements of the Edmonds College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 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 opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be

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

Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated February 26, 2021, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy
State Auditor
Olympia, WA

Management's Discussion and Analysis

Edmonds College

The following discussion and analysis provides an overview of the financial position and activities of Edmonds College (the College) for the fiscal year ended June 30, 2020 (FY 2020). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Edmonds College is one of thirty public community and technical college districts in the state of Washington that provides comprehensive, open-door academic programs, workforce education, basic skills, and community service educational programs to approximately 17,000 students annually. The College confers a baccalaureate degree as well as associate degrees, certificates, and high school diplomas. The College was established in 1967 and its mission is Teaching | Learning | Community. In 2020, the College changed its name from "Edmonds Community College" to "Edmonds College" to align with expectations of its partners and students for providing such an array of education, workforce training, and personal and professional development.

The College's main campus is located in Lynnwood, Washington, a community of about 39,000 residents. The College also has operations at the Monroe Correctional Complex in Monroe, WA, the Washington Aerospace Training & Research Center in Everett, WA, and eight Head Start facilities throughout Snohomish County. The College is governed by a six member Board of Trustees appointed by the governor of the state with the consent of the state Senate, including a Governor-appointed student trustee who is prohibited from voting on personnel or collective bargaining matters. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit, the Edmonds College Foundation, which also changed its name from "Edmonds Community College Foundation" in 2020. The College's financial statements include:

- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

The Statement of Net Position provides information about the College at a moment in time, 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 College's financial health.

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

Statement of Net Position

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

Condensed Statement of Net Position As of June 30th	FY 2020	FY 2019
Assets		
Current Assets	23,286,277	30,133,430
Capital Assets, net	127,518,672	107,972,289
Other Assets, non-current	16,845,795	9,549,337
Total Assets	167,650,744	147,655,056
Deferred Outflows of Resources	8,313,506	4,931,185
Liabilities		
Current Liabilities	11,302,925	10,752,680
Other Liabilities, non-current	53,383,028	50,068,890
Total Liabilities	64,685,953	60,821,570
Deferred Inflows of Resources	16,805,846	18,100,636
Net Position		
Net Investment in Capital Assets	122,560,685	102,253,696
Restricted	88,281	2,309
Unrestricted (Deficit)	(28,176,515)	(28,588,970)
Total Net Position	94,472,451	73,667,035

Current assets consist primarily of cash, investments, and various accounts receivable. The primary decrease of current assets in FY 2020 can be attributed to a decrease of the cash held in an interest-bearing savings account that had been kept at a balance larger than usual in FY 2019 in order to maintain liquidity for the construction of the new science, technology, engineering, mathematics, and nursing building, Hazel Miller Hall. Furthermore, short-term investments decreased substantially as issuers called bonds early as the global COVID-19 pandemic caused interest rates to fall. These factors were slightly offset by the increase in state appropriations that had been accrued as receivable at fiscal year-end.

Net capital assets increased by \$19.5M from FY 2019 to FY 2020. The increase is primarily the result of ongoing acquisitions of capitalized equipment and construction in progress related to the STEM and Nursing building, offset in part by current depreciation expense of \$4.3M.

Non-current assets consist primarily of long-term investments. All of the long-term investments at June 30, 2020 reflect investments purchased in FY 2020 totaling approximately \$16.8M because all long-term investments held at June 30, 2019, were liquidated in FY 2020 due to regular maturities or obligors calling them prior to maturity. As the economy slowed down significantly due to the global COVID-19 pandemic, interest rates decreased sharply and many issuers took the opportunity to redeem their higher-interest debt, then re-finance in subsequent placements at lower rates.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and other postemployment benefits (OPEB) associated with the implementation of GASB 68 in FY 2015, GASB 73 in FY 2017, and GASB 75 in FY 2018. The change in deferred outflows and deferred inflows reflects the College's proportionate share of the change in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to the timing of transactions and differences between expected and actual experience related to the actuarial assumptions and investment earnings. The College recorded \$8.3M in FY 2020 and \$4.9M in FY 2019 of pension and post employment-related deferred outflows; deferred inflows for the College from these plans totaled \$16.8M in FY 2020 and \$18.1M in FY 2019.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others, and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. The increase in current liabilities in FY 2020 is primarily due to an increase in the estimated current portion of compensated absences and unemployment claims payable at year-end related to the COVID-19 pandemic, though these were slightly offset by a decrease in unearned revenue consistent with the decrease in tuition and fees in general also related to the COVID-19 pandemic.

Non-current liabilities primarily consist of the long-term portion of vacation and sick leave earned but not yet used by employees, the long-term portion of COP debt, and the long-term pension and OPEB liabilities. The College's non-current liabilities increased due to the College's proportionate share of changes in state-wide amounts for OPEB. The College's non-current liabilities associated with COPs decreased by \$614k as a result of reclassifying the amount due to be paid in FY 2021 as current and will continue to decrease as the College pays down the principal owed for buildings, energy projects, and equipment, with the exception of any new COPs that may be acquired.

Net position represents the value of the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The College is required by accounting standards to report its net position in four categories:

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

Restricted

Non-expendable - A donor or external party has imposed the restriction that the corpus

or principal is not available for spending but for investment purposes only. All non-expendable restricted funds are directed to the Edmonds College Foundation. As a result, the College is not reporting any balance in this category.

Expendable - The College is legally or contractually obligated to spend these resources in accordance with restrictions placed by donors or external parties who have placed time or purpose restrictions on the use of the assets. The primary restricted expendable funds for the College are for Institutional Financial Aid.

Unrestricted - This 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. The College has a board-approved \$3.2M reserved for emergencies and other purposes, which is maintained in the Debt Service Reserve account. At June 30, 2020, the College also had approximately \$6.8M in uncommitted unrestricted funds held as working capital for several locally funded projects, principally the STEM and Nursing building.

Condensed Net Position, as of June 30th	FY 2020	FY 2019
Net Investment in Capital Assets	122,560,685	102,253,696
Restricted - Expendable	88,281	2,309
Unrestricted (deficit)	(28,176,515)	(28,588,970)
Total Net Position	94,472,451	73,667,035

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the College's changes in total net position during FY 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 College, along with any other revenue, expenses, gains, and losses of the College.

Generally, operating revenues are earned by the College in exchange for providing goods and services. Tuition is included in this category, as are all grants and contracts which support educational operations. In contrast, non-operating revenues include monies the College receives from other government agencies without directly giving equal value to those agencies in return. Accounting standards require that the College categorize state operating appropriations and Pell grants as non-operating revenues.

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

A condensed comparison of the Statement of Revenues, Expense and Changes in Net Position for the fiscal years ended June 30, 2020 and 2019 is presented as follows:

Condensed Statement of Revenue, Expenses & Changes in Net Position, as of June 30th	FY 2020	FY 2019
Operating Revenues		
Student tuition and fees, net	33,229,357	35,869,536
Auxiliary enterprise sales	3,543,552	4,174,607
Grants and contracts	30,208,583	29,682,097
Other operating revenues	1,214,197	1,630,008
Total Operating Revenues	68,195,689	71,356,248
Non-Operating Revenues		
State appropriations	30,530,526	29,216,981
Federal Pell grant revenue	6,245,224	5,859,294
Other non-operating revenue	907,874	0
Investment income, net	590,879	684,179
Total Non-Operating Revenues	38,274,503	35,760,454
Total Revenues	106,470,192	107,116,702
Operating Expenses		
Salaries and benefits	68,079,483	65,333,480
Scholarships, net of discounts	11,445,619	11,075,574
Depreciation	4,342,689	4,391,525
Other operating expenses	24,848,014	25,348,009
Total Operating Expenses	108,715,805	106,148,588
Non-Operating Expenses		
Building fee remittance	1,528,577	1,473,796
Other non-operating expenses	657,224	682,540
Total Non-Operating Expenses	2,185,801	2,156,336
Total Expenses	110,901,606	108,304,924
Excess (deficiency) before capital contributions	(4,431,414)	(1,188,222)
Capital appropriations	25,236,830	19,894,825
Change in Net position	20,805,416	18,706,603
Net Position		
Net position, Beginning of Year	73,667,035	54,960,432
Net position, End of Year	94,472,451	73,667,035

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 amounts to each college. In FY 2020, the SBCTC allocated funds to each of the 34 colleges based on 3-year average full-time equivalent (FTE) actuals. Additionally, the Supplemental Budget also reduced the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation will continue in FY 2021. Total appropriations increased by nearly \$1.3M due to state-funded compensation increases and additional provisos for targeted programs. Allocations do not carry forward to future years.

A 2.4% increase in tuition was approved for FY 2020. In FY 2021, a 2.5% tuition increase will be effective beginning with fall quarter.

Tuition revenue also decreased as enrollments decreased in FY 2019 and FY 2020, which resulted in the College falling short of its state target by 745 FTEs in FY 2020. Strained by various national and global political, economic, and social pressures, not to mention a global pandemic that caused a suite of related issues, the College's international program also experienced lower enrollment, losing approximately 153 contract FTEs in FY 2020. In other contracted, community service, and other miscellaneous categories, FTEs dropped by approximately 201. Notably, state-supported programs experienced sharp decreases, such as WorkFirst (14% reduction from FY 2019), I-BEST (14%), and BEdA (8%). This trend is consistent with the relatively low rate of unemployment throughout the state, though the effects of COVID-19 since March, 2020, have since completely upset that metric. The most significant change in state-supported FTEs from FY 2019 to FY 2020 was a 32% decrease, or 133 FTEs, in the Department of Corrections Education program. Overall, in FY 2020 the total number of FTEs decreased by 419.

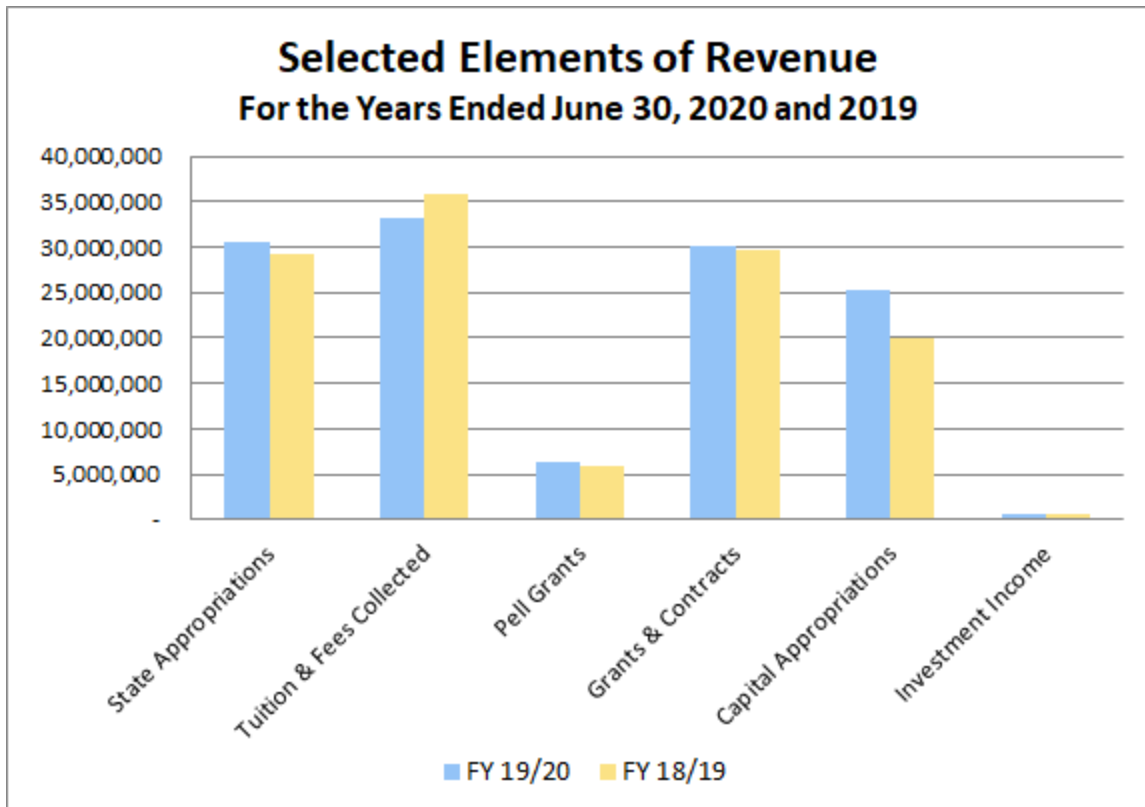
Pell grant revenues generally follow enrollment trends. However, in FY 2020, the increase in Pell grant revenue is the result of a change in the mix of students; in other words, the proportion of students who applied and qualified for Pell grants in FY 2020 exceeded the proportion in FY 2019. This trend continues from FY 2019. The College also received funding from the CARES Act in FY 2020 in order to offset some of the costs of responding to the COVID-19 pandemic. The College was allocated \$2.9M in total funding under Sec. 18004(a) through April, 2021, of which half must be distributed directly to students. As of June 30, 2020, the College had spent and received reimbursement for approximately \$200K on qualified institutional expenses and \$700K on aid to students.

For FY 2020, the College attempted to hold other fees as stable as possible, resulting in a decrease in revenues from other fees consistent with the decrease in enrollment and tuition. In addition, the College offers some programs on a fee-only basis as allowed by law. Examples include the Creative Retirement Institute and Intensive English as a Second Language.

The overall revenue in grant-funded programs and activities increased in FY 2020. State-supported grants and contracts show an increase of \$1.1M when compared with FY 2019 due primarily to programs such as Running Start and EdCAP. Federal grants decreased by \$596K due to decreased funding for I-CATCH which was partially offset by an increase in Head Start funds. The College continues to manage more grant and contract dollars than any other single community college in the state. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College also serves contracted international students who are not supported by state dollars as mentioned above.

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

The chart below shows the dollar amount for selected elements of revenue for FY 2020 and FY 2019.



Note: For the purpose of this chart, tuition and fees reflect the amounts collected and may include amounts students paid with Pell grant proceeds.

Expenses

Faced with severe budget cuts over the past several years, the College has continuously sought opportunities to identify savings and efficiencies. Overall, the College has kept non-payroll expense growth to a minimum and in fact reduced such expenses in FY 2020 by nearly half a percent. More recently, in FY 2020, salary and benefit costs increased as result of the 3.0% salary increase and salary schedule adjustments enacted by the Legislature, negotiated increases for classified staff, and additional staff needed to support the ctLink project. These increases were mitigated in part by staff turnover and replacement position savings and because of the need for fewer part time faculty due to declining enrollment.

Utility costs decreased slightly for electricity, heating, fuel, container hauling, and water/sewage, due to mitigation efforts by the College's efforts to reduce utility usage with the help of several energy-saving

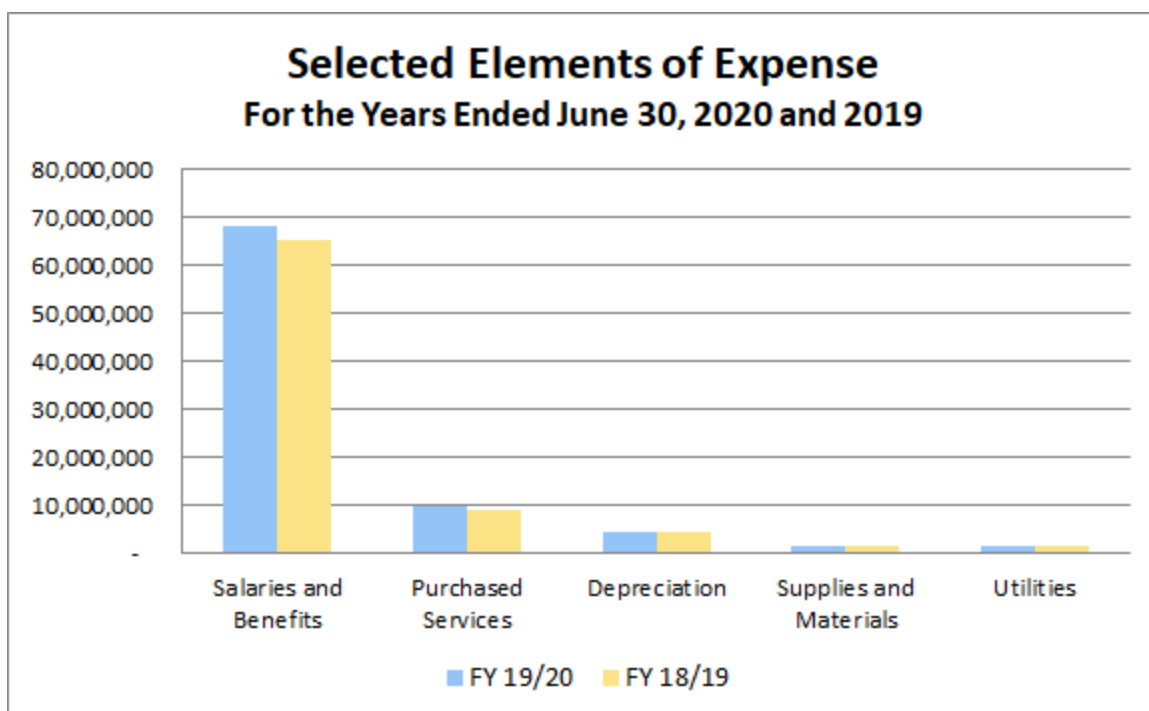
projects supported by grants, local funds, and state capital allocation. As utility rates continue to increase, however, utility expenses are expected to continue growing.

Supplies and materials decreased slightly due to the ongoing pursuit of operational efficiencies. Those decreases are offset by certain capital project costs that do not meet accounting criteria for capitalization and are instead recognized as supplies and materials or purchased services costs; these fluctuations are to be expected. The increase in purchased services in FY 2020 is primarily due to such costs. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when large depreciable assets are placed in service or, conversely, a decrease whenever assets have reached the end of their depreciable lives.

All other costs are reported as other operating expenses. Examples include short-term lease and other rental payments, repairs and maintenance, professional development dues and fees, non-capitalized furniture and equipment, and some costs related to grant/contract or auxiliary activities.

Comparison of Selected Operating Expenses by Function

The chart below shows the dollar amount for selected functional areas of operating expenses for FY 2020 and FY 2019.



Capital Assets and Long-Term Debt Activities

The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for biennially 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.

At June 30, 2020, the College had invested \$127,518,672 in capital assets, net of accumulated depreciation. This represents an increase of \$19.5M from last year, as shown in the table below.

Asset Type	June 30, 2020	June 30, 2019	Change
Land	6,326,372	6,326,372	0
Construction in Progress	47,096,138	23,625,182	23,470,956
Buildings, net	67,928,469	71,166,976	-3,238,507
Other Improvements/Infrastructure, net	4,091,261	4,485,191	-393,930
Equipment, net	2,033,524	2,301,256	-267,732
Library Resources, net	42,908	67,312	-24,404
Total Capital Assets, Net	127,518,672	107,972,289	19,546,383

The increase in net capital assets is due to continued work on construction in progress on Hazel Miller Hall and the ongoing acquisition of equipment and library resources, offset by depreciation of \$4.3M. Land and construction in progress are never depreciated.

At June 30, 2020, the College had \$4,957,986 in outstanding debt on capital assets compared to \$5,718,592 at June 30, 2019. The decrease is due to the short-term debt service payment of \$760,605. The College has no other capital leases at this time. Additional information of notes payable, long term debt and debt service schedules can be found in Notes 11 and 12 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

As the College continues to be affected by the results of the COVID-19 pandemic, a significant decrease in enrollments has been experienced. While historically colleges have noted an increase in enrollments during times of higher unemployment, that has not been the trend the College has experienced at this time. The College will be looking closely at budgets and ways to innovate instruction to attract more students.

In FY 2020, the College received a significant increase in funding as a result of the Workforce Education Investment Act (E2SHB 2158). The bill created a new fund, the Workforce Education Investment Account. Appropriations from the account are supported by an increase in the Business and Occupation tax. These funds were allocated to the colleges as directed in the legislation. Most of these appropriations are budgeted to continue in FY 2021. There were no other significant changes to the method of allocating funds to college districts.

The legislature failed to pass the capital budget for the biennium beginning July 1, 2017 in a timely fashion. As a result, many projects across the state, including the College's STEM and Nursing building, were delayed. The delay resulted in ongoing escalation cost increases which were not fully funded in the capital budget approved in the winter of 2018. The College expects to fund the shortage locally through reserves and a Foundation capital campaign.

Despite these challenges, the College has made significant progress in creating additional opportunities for students. Most notably, the College's first four-year degree program, the Bachelor of Applied Science in Child, Youth, and Family Studies, graduated its first cohort in spring quarter of 2019. Two more BAS degrees, IT Application Development and Advanced Manufacturing & Materials, have received SBCTC approval in FY 2020. Another two BAS degrees are also in development: Robotics & Artificial Intelligence and Behavioral Health. Statewide growth in demand for such programs bodes well for future enrollment.

The College is also positioned to benefit from the Lynnwood Link Extension project being constructed by Sound Transit. As part of a massive expansion of the transit system that will eventually comprise a light rail network spanning 116 miles across Snohomish, King, and Pierce counties, the Lynnwood Link Extension is scheduled to open in 2024 and is projected to serve 50,000 or more riders by 2026. This increase in accessibility could mean additional opportunities for students to live, work, and learn in Lynnwood and beyond.

Edmonds College
Statement of Net Position
June 30, 2020

Assets

Current assets

Cash and cash equivalents	12,014,070
Cash and cash equivalents - restricted	88,281
Short-term investments	3,846,704
Accounts receivable, net	7,247,398
Interest receivable	89,824
Total current assets	23,286,277

Non-Current Assets

Long-term investments	16,845,795
Capital assets, non-depreciable	53,422,511
Capital assets, net of depreciation	74,096,161
Total non-current assets	144,364,467
Total Assets	167,650,744

Deferred Outflows of Resources

Deferred Outflows Related to Pensions	4,852,766
Deferred Outflows Related to OPEB	3,460,740
Total Deferred Outflows of Resources	8,313,506

Liabilities

Current Liabilities

Accounts payable	1,206,574
Accrued liabilities	2,870,661
Unearned revenue	2,736,790
Compensated absences, current portion	3,187,736
Certificates of participation payable, current portion	614,149
Total pension liability, current portion	102,479
Total OPEB liability, current portion	584,536
Total current liabilities	11,302,925

Non-Current Liabilities

Compensated absences	2,852,431
Pension liability	12,871,493
Total OPEB liability	33,315,267
Certificates of participation payable	4,343,837
Total non-current liabilities	53,383,028
Total Liabilities	64,685,953

Deferred Inflows of Resources

Deferred Inflows Related to Pensions	4,764,254
Deferred Inflows Related to OPEB	12,041,592
Total Deferred Inflows of Resources	16,805,846

Net Position

Net Investment in Capital Assets	122,560,685
Restricted for:	
Institutional financial aid	88,281
Unrestricted (Deficit)	(28,176,515)
Total Net Position	94,472,451

Edmonds College Foundation
Statement of Financial Position
June 30, 2020

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,477,972
Short-term investment	20,559
Accounts receivables, net	34,684
Due from Edmonds College	0
Current portion of promises to give	693,295
Prepaid expenses	<u>25,548</u>

TOTAL CURRENT ASSETS	<u>2,252,058</u>
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OTHER ASSETS:

Other assets	0
Promises to give, net of current portion	759,015
Long-term investments	4,498,605
Title III grant investments	910,531
Split-interest agreements	<u>822,490</u>

TOTAL OTHER ASSETS	<u>6,990,641</u>
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TOTAL ASSETS	<u><u>\$ 9,242,699</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	<u>\$ 60,345</u>
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NET ASSETS:

Without donor restrictions	1,179,430
With donor restrictions	<u>8,002,924</u>

TOTAL NET ASSETS	<u>9,182,354</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,242,699</u></u>
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Edmonds College
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	33,229,357
Auxiliary enterprise sales, net	3,543,552
State and local grants and contracts	20,347,564
Federal grants and contracts	9,861,019
Other operating revenues	1,214,197
Total operating revenues	<u>68,195,689</u>

Operating Expenses

Salaries and wages	51,139,416
Benefits	16,940,067
Scholarships and fellowships	11,445,619
Purchased services	9,777,704
Depreciation	4,342,689
Operating leases	3,354,983
Furniture & equipment (non-capital)	1,445,633
Supplies and materials	1,432,933
Utilities	1,345,098
Other operating expenses	7,491,663
Total operating expenses	<u>108,715,805</u>

Operating income (loss) (40,520,116)

Non-Operating Revenues (Expenses)

State appropriations	30,530,526
Federal Pell grant revenue	6,245,224
Federal non-operating revenue	907,874
Investment income, gains and losses	590,879
Building fee remittance	(1,528,577)
Innovation fund remittance	(376,422)
Interest on indebtedness	(280,802)
Net non-operating revenues (expenses)	<u>36,088,702</u>

Income or (loss) before capital appropriations (4,431,414)

Capital appropriations 25,236,830

Increase (decrease) in net position **20,805,416**

Net Position

Net position, beginning of year	73,667,035
Net position, end of year	<u><u>94,472,451</u></u>

Edmonds College Foundation
Statement of Activities
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT:			
Contributions	\$ 645,363	\$ 2,441,001	\$ 3,086,364
In-kind contributions	228,576	0	228,576
Special events	240,415	1,675	242,090
Net investment return	28,243	102,910	131,153
Change in value of split-interest agreements	0	8,256	8,256
Net assets released from restrictions	612,119	(612,119)	0
	<u>1,754,716</u>	<u>1,941,723</u>	<u>3,696,439</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT			
EXPENSES:			
College program support	340,594	0	340,594
Scholarships	467,144	0	467,144
	<u>807,738</u>	<u>0</u>	<u>807,738</u>
Total program services			
Administration	172,341	0	172,341
Fundraising	471,326	0	471,326
	<u>643,667</u>	<u>0</u>	<u>643,667</u>
Total supporting services			
	<u>1,451,405</u>	<u>0</u>	<u>1,451,405</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	303,311	1,941,723	2,245,034
BEGINNING NET ASSETS	<u>876,119</u>	<u>6,061,201</u>	<u>6,937,320</u>
ENDING NET ASSETS	<u><u>\$ 1,179,430</u></u>	<u><u>\$ 8,002,924</u></u>	<u><u>\$ 9,182,354</u></u>

Edmonds College
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash Flow from Operating Activities

Student tuition and fees	34,155,057
Grants and contracts	27,652,485
Payments to vendors	(23,350,940)
Payments for utilities	(1,342,371)
Payments to employees	(50,391,802)
Payments for benefits	(17,487,940)
Auxiliary enterprise sales	3,570,175
Payments for scholarships and fellowships	(11,445,619)
Other receipts	1,253,589
Net cash used by operating activities	(37,387,366)

Cash Flow from Noncapital Financing Activities

State appropriations	28,908,818
Pell grants	6,218,153
Amounts for other than capital purposes	769,995
Building fee remittance	(1,533,845)
Innovation fund remittance	(377,696)
Net cash provided by noncapital financing activities	33,985,425

Cash Flow from Capital and Related Financing Activities

Capital appropriations	24,842,693
Purchases of capital assets	(23,889,073)
Principal paid on capital debt	(760,605)
Interest paid	(280,802)
Net cash used by capital and related financing activities	(87,787)

Cash Flow From Investing Activities

Proceeds from investments	174,537
Income from investments	340,093
Net cash provided by investing activities	514,630

Decrease in Cash and Cash Equivalents

(2,975,098)

Cash and Cash Equivalents at the Beginning of the Year

15,077,449

Cash and Cash Equivalents at the End of the Year

12,102,351

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating Loss	(40,520,116)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities	
Depreciation expense	4,342,689
Changes in assets and liabilities	
Receivables, net	(1,167,359)
Accounts payable	253,649
Accrued liabilities	(34,493)
Unearned revenue	(397,025)
Compensated absences	780,847
Pension liability adjustment	(1,177,223)
OPEB liability adjustment	531,665
Net cash used by operating activities	(37,387,366)

Noncash Financing, Capital, and Investing Activities

Net increase in fair value of investments	207,710
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Edmonds College Foundation
Statement of Cash Flows
For the Year Ended June 30, 2020

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:	
Change in net assets	<u>\$ 2,245,034</u>
Adjustments to reconcile change in net assets to net cash:	
Contributions restricted for endowments	(65,000)
Depreciation and amortization	0
Change in allowance for uncollectible promises to give	16,343
Change in unamortized discount on promises to give	23,552
Net realized and unrealized gain on investments	(36,422)
Change in value of split-interest agreements	(8,256)
Reinvested interest on certificate of deposit	(207)
Loss on uncollectible receivables	0
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	(34,684)
Due from Edmonds College	57,260
Promises to give	(1,437,582)
Prepaid expenses and other assets	8,178
Increase (decrease) in liabilities:	
Accounts payable	<u>54,806</u>
Total adjustments and changes	<u>(1,422,012)</u>
	<u>823,022</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:	
Proceeds from sale of investments	1,957,038
Purchases of investments	(1,442,708)
Proceeds from sale of Title III grant investments	393,352
Purchases of Title III grant investments	<u>(433,230)</u>
	<u>474,452</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:	
Contributions restricted for endowments	<u>65,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,362,474
BEGINNING CASH AND CASH EQUIVALENTS	<u>115,498</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 1,477,972</u></u>

Notes to the Financial Statements

June 30, 2020

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Edmonds College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers associate degrees, certificates, and high school diplomas in addition to a new applied baccalaureate degree. It is governed by a five-member Board of Trustees and one student Trustee, all appointed by the Governor and confirmed by the state Senate. The College is an agency of the state of Washington. The financial activity of the college is included in the state's Comprehensive Annual Financial Report. These notes form an integral part of the financial statements.

The Edmonds College Foundation (the Foundation) is a separate but affiliated non-profit entity incorporated under Washington State law in 1982 and is recognized as a tax exempt 501(c)(3) charity. The Foundation's mission is to support access, success, and excellence for students, faculty, and staff at the College. Visit the Foundation's home page at <https://www.edmonds.edu/foundation/> for more information. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the College or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 14, 39, and 61. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's Statements of Financial Position, Activities, and Cash Flows are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2020 ("FY 2020"), the Foundation distributed approximately \$807,738 to the College for restricted and unrestricted purposes. The Foundation statements used in this report have been audited by an independent accounting firm. A copy of the Foundation's complete audited financial report may be obtained from the Foundation's Administrative Offices by calling 425-640-1274 or emailing foundation@edmonds.edu.

Basis of Presentation

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

Basis of Accounting

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

Non-exchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, include 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 bank demand deposits, petty cash held at the College, inter-agency deposits-in-transit, and liquid asset investments. Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets. The College records all cash, cash equivalents, and investments at fair value.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is distributed annually to contributing funds with the remainder allocated for general operating needs of the College. The internal investment pool is comprised of cash, cash equivalents, Washington state municipal bonds, and securities of U.S. agencies and the Treasury.

Accounts Receivable

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

Capital Assets

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

Land, buildings, infrastructure, 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 expenses are 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 15 to 50 years for buildings and building improvements, 10 to 50 years for improvements other than buildings, 7 years for library resources and 4 to 13 years for most equipment.

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. As of June 30, 2020, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but 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 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 Statement No. 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 GASB 68 but use the current fiscal year-end as the measurement date for reporting the pension liabilities.

OPEB Liability

In FY 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 68.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

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

Net Position

The College's net position is classified as follows.

- *Net Investment in Capital Assets.* This represents the College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets.
- *Restricted.* Resources in this category are those the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties. The primary restricted expendable funds for the College are for the Institutional Financial Aid fund. All non-expendable restricted funds are directed to the Edmonds College Foundation.
- *Unrestricted.* This 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. These resources are derived from student tuition and fees and sales and services of educational departments and auxiliary enterprises.

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

Classification of Revenues and Expenses

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

- *Operating Revenues.* This includes activities that are directly related to the principal operations of the College, such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) federal, state, and local grants and contracts that primarily support the operational/educational activities of the College. Examples include a contract with OSPI to offer Running Start and Adult Basic Education grants that support the primary educational mission of the College.
- *Operating Expenses.* Operating expenses include salaries and wages, fringe benefits, student financial aid, purchased services, depreciation, operating lease expense, non-capital furniture and equipment, supplies and materials, utilities, and other expenses that are directly related to principal operations of the College.
- *Non-operating Revenues.* This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income, and Pell grants received from the federal government. In FY 2020, non-operating revenues also included funds received through the federal CARES Act.
- *Non-operating Expenses.* Non-operating expenses include state remittances related to the building fee and the innovation fee along with interest incurred on the Certificate of Participation (COP) loans.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charges for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or non-governmental programs, are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for FY 2020 were \$5,950,260.

State Appropriations

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

Building and Innovation Fee Remittance

Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The building fee portion of tuition charged to students is an amount established by the Legislature and is subject to change annually. The fee provides funding for capital construction and projects on a system-wide basis using a competitive biennial allocation process. The building fee is remitted on the 35th day of each quarter.

The innovation fee was established in order to fund the SBCTC’s Strategic Technology Plan called “ctcLink.” The use of the fund is to implement new Enterprise Resource Planning 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.

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 effective for the fiscal year ending June 30, 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 was to be effective for the fiscal year ending June 30, 2021. GASB 95 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 an 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 will be applied on a prospective basis and the interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated.

3. Deposits and Investments

Deposits

Cash and cash equivalents include bank demand deposits, petty cash held at the College, inter-agency deposits-in-transit, and liquid asset investments. 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.

As of June 30, 2020, the carrying amount of the College’s cash and equivalents was \$12,102,351 as represented in the table that follows. The decrease in FY 2020 is due to the collection of accrued contract revenues and state allocation shortly after fiscal year-end as well as the reinvestment of matured investments and short-term investments that were called prior to maturity.

Cash and Cash Equivalents	June 30, 2020	June 30, 2019
Petty Cash and Change Funds	13,650	12,250
Inter-agency Deposits in Transit	15,766	144,233
Bank Demand and Time Deposits	2,313,382	2,439,053
Liquid Asset Accounts	9,671,272	12,479,604
Liquid Asset Accounts - Restricted	88,281	2,309
Total Cash and Cash Equivalents	12,102,351	15,077,449

Custodial Credit Risks - Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure the College may not recover its deposits. The College's demand deposits are with U.S. Bank of Washington. 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 (WPDPC).

Investments

Investments consist of U.S. Treasury and Agency securities as well as Washington municipal bonds safeguarded by a registered financial institution. The College's Cash and Investment Management Policy states that investments will be handled in a manner which provides maximum security with the highest investment return while meeting the daily cash flow demands of the College and conforming to all state laws governing the investment of public funds.

The College measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles. Fair value measurement is based on the assumptions that market participants would use in pricing the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Unrealized gains and losses are included in the Statement of Revenues, Expenses, and Changes in Net Position.

As of June 30, 2020, the College had the following investments and maturities measured at fair value:

Investment Maturities	Total	One Year or Less	1-5 Years	6 or More Years
Investments at Fair Value (Level 2):				
U.S. Agency Obligations	14,077,990	3,846,704	10,231,286	0
U.S. Treasury Obligations	3,257,982	0	3,257,982	0
Washington State municipal bonds	3,356,527	0	3,356,527	0
Total Investments	20,692,499	3,846,704	16,845,795	0

U.S. Agency obligations are reported at fair value listed by the financial institution, determined using a market-based model which considers yield, price of comparable securities, coupon rate, maturity, credit quality and dealer-provided prices (Level 2 inputs).

Interest Rate Risk—Investments

Interest rate risk is the risk the College may face should interest rate variances affect the fair value of investments. The College manages its exposure to changes in interest rates by staggering portfolio maturity dates. Unless matched to a specific grant, the College will not directly invest in securities maturing more than four years from the date of purchase.

Credit Risk - Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

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. The College's operating fund investments are held by U.S. Bank of Washington as the agent for the College. At June 30, 2020, investments totaling \$20,692,499 were exposed to custodial credit risk.

Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. College policy does not limit the amount the College may invest in any one issuer. 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.

Investment Expenses

Investment income for the College is shown net of investment expenses. The College incurred no investment expenses for FY 2020.

4. Accounts Receivable

Accounts receivable consist 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 were as follows:

Accounts Receivable	Amount
Student Tuition and Fees	246,761
Due from the Federal Government	1,005,765
Due from Other State Agencies	2,801,540
Auxiliary Enterprises	28,129
Interest Receivable	89,824
Other	3,193,835
Subtotal	7,365,854
Less Allowance for Uncollectable Accounts	(28,632)
Total Accounts Receivable, net	7,337,222

5. Capital Assets

A summary of the changes in capital assets for FY 20120 is presented as follows. Depreciation expense for FY 2020 was \$4,342,689.

Capital Assets	Beginning Balance	Additions / Transfers	Retirements	Ending Balance
Capital Assets, Non-depreciable:				
Land	6,326,372	0	0	6,326,372
Construction in Progress	23,625,182	23,470,956	0	47,096,138
Total Capital Assets, Non-depreciable	29,951,554	23,470,956	0	53,422,510
Capital Assets, Depreciable:				
Buildings	124,022,740	0	0	124,022,740
Other Improvements & Infrastructure	20,280,654	0	(212,314)	20,068,340
Equipment	9,085,525	418,116	(72,852)	9,430,789
Library Resources	257,516	0	(41,753)	215,763
Subtotal Capital Assets, Depreciable	153,646,435	418,116	(326,919)	153,737,632
Less Accumulated Depreciation:				
Buildings	52,855,764	3,238,507	0	56,094,271
Other Improvements & Infrastructure	15,795,463	393,930	(212,314)	15,977,079
Equipment	6,784,269	685,848	(72,852)	7,397,265
Library Resources	190,204	24,404	(41,753)	172,855
Total Accumulated Depreciation	75,625,700	4,342,689	(326,919)	79,641,470
Total Capital Assets, Depreciable, net	78,020,735	(3,924,573)	0	74,096,162
Total Capital Assets, net of Accumulated Depreciation	107,972,289	19,546,383	0	127,518,672

6. Accounts Payable and Accrued Liabilities

At June 30, 2020, accrued liabilities were as follows:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	1,497,585
Accounts Payable	1,206,574
Amounts Held for Others	1,373,076
Total Accounts Payable and Accrued Liabilities	4,077,234

7. Unearned Revenue

Unearned revenue as of June 30, 2020, is comprised of receipts which have not yet met revenue recognition criteria, as follows:

Unearned Revenue	Amount
Summer & Fall Quarter Tuition & Fees	2,425,524
Advance Grant Fees & Other Deposits	311,266
Total Unearned Revenue	2,736,790

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.

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

The College participates in the State of Washington risk management self-insurance program, which covers its exposure to tort, general damage and vehicle damage 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, except student employees. Liabilities for claims from July 1, 2019, through June 30, 2020, were \$245,836. Cash reserves for unemployment compensation for all employees at June 30, 2020, were \$477,798.

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, which can be used for future medical expenses and insurance purposes. Exempt employees also receive their accumulated vacation time credited to their VEBA account. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records.

An estimated amount, based on a three-year average payout, is accrued as a current liability. The remaining amount of accrued annual and sick leave are categorized as non-current liabilities. Compensatory time is categorized as a current liability since it must be used before other leave. There was no accrued compensatory time as of June 30, 2020.

The balances of accrued compensated absences at June 30, 2020, were as follows:

Compensated Absences	Current	Non-Current	Total
Accrued Sick Leave	1,827,408	1,635,190	3,462,598
Accrued Vacation	1,360,328	1,217,241	2,577,569
Total Compensated Absences	3,187,736	2,852,431	6,040,167

10. Leases Payable

Capital Leases

The College finances some capital asset purchases and energy improvements through the Washington State Treasurer's leasing program. These are commonly called Certificates of Participation (COP) and are classified as capital leases.

The assets acquired through COPs are pledged as collateral under their respective lease/finance agreements. Nonpayment, whether due to qualified termination events or default, would result in relinquishing the secured assets and may impact the College's ability to secure financing in the future. The College does not foresee any such events. Assets subject to COP agreements as of June 30, 2020 in the table below are reported at full cost and depreciation thereon, which includes the amounts funded by proceeds from COPs as well as additional costs incurred by the College and capitalized in accordance with State and College policy.

Assets Acquired through Capital Leases	Amount
Machinery & Equipment	436,455
Buildings & Improvements	14,426,452
Less: Accumulated Depreciation	(5,147,222)
Total Assets Acquired through Capital Leases, Net	9,715,685

Expense resulting from amortization of assets recorded under capital leases is included with depreciation expense.

In FY 2020, COPs included:

Certificates of Participation	Interest Rate	Lease End Date	Original or Refunded Amount	FY 2020 Payment
Energy Improvements	2.89066%	6/1/2020	1,600,000	181,658
Compactor	2.19828%	6/1/2025	40,888	3,947
Black Box Theatre	2.11666%	6/1/2027	1,700,000	140,000
Brier Hall	2.12005%	6/1/2027	5,320,000	435,000

Nearly all COP debt service payments are funded by the College's Debt Service Reserve (DSR). The exceptions to this are the Brier Hall COP, which is funded by a dedicated fee assessed by the students to pay principal and interest costs, and the industrial compactor, which is funded by the general operating budget. With Board approval, the College initiated a Debt Service Reserve for COP debt service payments in the fiscal year ended June 30, 2010. The following year, the board approved transferring the Reserve Fund Balance (\$3.2M) to the DSR. The initial Board approval also included the availability of inter-fund borrowing. The ending balance of the DSR at June 30, 2020, was \$6,781,947. Debt payments from this reserve totaled \$544,166 for FY 2020. Additions to the DSR in FY 2020 included \$1M in transfers from uncommitted funds in order to cover future debt service payments.

Operating Leases

The College has leases for office/program space, residence halls, parking, and office equipment with various vendors; these are classified as operating leases. Terms range from month-to-month contracts up to 10 years and may contain renewal options. Total cost for such leases was \$3,177,943 in FY 2020.

The College's operating leases and debt service requirements for capital leases as of June 30, 2020, are listed in Note 11.

11. Annual Debt Service and Operating Lease Requirements

Future debt service and operating lease requirements at June 30, 2020, are as follows.

Annual Debt Service and Operating Lease Requirements				
Fiscal Year	Certificates of Participation			Operating Leases
	Principal	Interest	Total	Total
2021	614,149	247,899	862,048	2,436,788
2022	644,362	217,192	861,554	2,523,674
2023	674,586	184,974	859,560	2,597,742
2024	704,821	151,244	856,065	2,461,847
2025	735,068	116,003	851,071	2,310,000
2026-2030	1,585,000	119,750	1,704,750	21,088,319
2031-2035	0	0	0	2,520,833
Total Requirements	4,957,986	1,037,062	5,995,048	35,939,203

12. Schedule of Long Term Liabilities

Long term liabilities reported as of June 30, 2020, consist of the following:

	Beginning Balance 6/30/2019	Additions	Reductions	Ending Balance 6/30/2020	Current Portion
Compensated Absences	5,259,321	4,377,156	3,596,310	6,040,167	3,187,736
OPEB Liability	30,015,467	4,780,638	896,302	33,899,803	584,536
Pension Liability	12,829,754	5,997,152	5,852,934	12,973,972	102,479
Certificates of Participation	5,718,592	0	760,605	4,957,986	614,149
Total Long Term Liabilities	53,823,134	15,154,946	11,106,151	57,871,928	4,488,900

13. Retirement Plans

A. General

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

Basis of Accounting

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

In accordance with GASB 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 68 and 73 for the College for FY 2020:

Aggregate Pension Amounts - All Plans	Amount
Pension liabilities	12,973,972
Deferred outflows of resources related to pensions	4,852,766
Deferred inflows of resources related to pensions	4,764,254
Pension expense	994,360

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 in which the College participates:

- 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 who 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 PERS in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 of the 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 college, 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.

TRS

Plan Description. The Legislature established TRS in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 of the 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 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:

Employer Contributions	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rate	12.69%	12.69%	15.43%	15.43%
Actual Contributions	732,428	1,202,432	70,748	79,932

* 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, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
Total Allocation	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 (asset) of the College calculated using the discount rate of 7.40 percent, as well as what the College's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate.

Pension Plan	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1	5,157,614	4,118,452	3,216,843
PERS 2/3	10,159,654	1,324,664	(5,925,027)
TRS 1	477,786	373,821	283,639
TRS 2/3	479,000	87,892	(230,106)

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 net pension liability of \$5,904,829 for its proportionate share of the net pension liabilities as follows:

Pension Plan	Pension Liability by Plan
PERS 1	4,118,452
PERS 2/3	1,324,664
TRS 1	373,821
TRS 2/3	87,892
Net Pension Liabilities	5,904,829

The College's proportionate share of pension liabilities for fiscal years ending June 30, 2019 and June 30, 2020 for each retirement plan are listed below as of the measurement dates ending June 30:

Pension Plans	2018	2019	Change
PERS 1	0.103175%	0.107102%	0.003927%
PERS 2/3	0.128991%	0.136375%	0.007384%
TRS 1	0.019034%	0.015099%	(0.003935%)
TRS 2/3	0.017670%	0.014587%	(0.003083%)

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 by Plan	Amount
PERS 1	372,466
PERS 2/3	265,702
TRS 1	(103,025)
TRS 2/3	62,878
Total Pension Expense by Plan	598,021

Deferred Outflows of Resources and Deferred Inflows of Resources. The following represents 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:

Deferred Outflows and Inflows By Pension Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Plan 1		
Difference between expected and actual experience	0	0
Difference between expected and actual earnings of pension plan investments	0	275,147
Changes of assumptions	0	0
Changes in College's proportionate share of pension liabilities	0	0
Contributions subsequent to the measurement date	732,428	0
Total PERS Plan 1	732,428	275,147

Deferred Outflows and Inflows By Pension Plan (Continued)	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Plan 2/3		
Difference between expected and actual experience	379,522	284,796
Difference between expected and actual earnings of pension plan investments	0	1,928,173
Changes of assumptions	33,920	555,785
Changes in College's proportionate share of pension liabilities	254,643	249,308
Contributions subsequent to the measurement date	1,202,432	0
Total PERS Plan 2/3	1,870,517	3,018,062
TRS Plan 1		
Difference between expected and actual experience	0	0
Difference between expected and actual earnings of pension plan investments	0	28,669
Changes of assumptions	0	0
Changes in College's proportionate share of pension liabilities	0	0
Contributions subsequent to the measurement date	70,748	0
Total TRS Plan 1	70,748	28,669
TRS Plan 2/3		
Difference between expected and actual experience	61,112	2,828
Difference between expected and actual earnings of pension plan investments		75,881
Changes of assumptions	33,135	23,353
Changes in College's proportionate share of pension liabilities	28,878	23,248
Contributions subsequent to the measurement date	79,932	
Total TRS Plan 3	203,057	125,310
Grand Total of Deferred Outflows and Deferred Inflows of Resources	2,876,750	3,447,188

Deferred outflows from contributions subsequent to the measurement date, totaling \$2,085,541, 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:

Fiscal Year Ending June 30	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2021	(60,740)	(605,267)	(5,885)	(504)
2022	(143,876)	(1,004,952)	(15,391)	(23,838)
2023	(51,343)	(454,225)	(5,412)	(6,935)
2024	(19,187)	(250,231)	(1,981)	880
2025	0	(83,769)	0	7,278
Thereafter	0	48,465	0	20,933
Total Net Deferred (Inflows) Outflows	(275,146)	(2,349,979)	(28,669)	(2,186)

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 plan 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 of the RCW and reports its proportionate share of the total pension liability. The SBCTC makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, and 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 \$2,556,617 and \$2,556,295, respectively.

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

As of July 1, 2011, all the SRP 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 one-twelfth of 2 percent of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of fifty percent of the member's average annual salary). The member's assumed income is an annuity benefit the retired member would receive from their defined contribution retirement plan benefit in the first month of retirement had they invested all employer and member contributions equally between a fixed income and variable income annuity investment.

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

The SRP pension benefits are unfunded. For the year ended June 30, 2020, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of \$1,785,000. The College's share of this amount was \$86,046. 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 FY 2020, the College paid into this fund at a rate of 0.5% of covered salaries, totaling \$145,290. This amount was not used as a part of GASB 73 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 \$396,339.

Pension Expense	
Proportionate Share (%)	4.8196%
Service Cost	169,476
Interest Cost	190,642
Amortization of Differences Between Expected and Actual Experience	(121,915)
Amortization of Changes in Assumptions	178,352
Changes of Benefit Terms	0
Administrative Expenses	0
Other Changes in Fiduciary Net Position	0
Proportionate Share of Collective Pension Expense	416,555
Amortization of Changes in Proportionate Share of TPL	(20,216)
Total Pension Expense	396,339

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for FY 2020 was 4.8196%. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating colleges. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Change in Proportionate Share	
Proportionate Share (%) 2019	4.8775%
Proportionate Share (%) 2020	4.8196%
Total Pension Liability - Ending 2019	5,384,077
Total Pension Liability - Beginning 2020	5,320,087
Total Pension Liability - Change in Proportion	(63,990)
Total Deferred Inflows/Outflows - Ending 2019	643,654
Total Deferred Inflows/Outflows - Beginning 2020	636,004
Total Deferred Inflows/Outflows - Change in Proportion	(7,650)
Total Change in Proportion	(71,640)

Plan Membership. Membership in the SRP consisted of the following as of June 30, 2018, the most recent actuarial valuation date:

Number of Participating Members				
Pension Plan	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
SRP	0	21	264	285

Change in Total Pension Liability. The following table presents the change in total pension liability of the SRP at June 30, 2020, the latest measurement date for the plan:

Change in Total Pension Liability	
Service Cost	169,477
Interest Cost	190,642
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	401,686
Changes in Assumptions	1,073,296
Benefit Payments	(86,046)
Changes in Proportionate Share	(63,990)
Other	0
Net Change in Total Pension Liability	1,685,065
Total Pension Liability – Beginning	5,384,077
Total Pension Liability – Ending	7,069,142

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:

Pension Plan	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
SRP	8,128,898	7,069,142	6,196,003

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. At June 30, 2020, the SRP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows and Inflows - SRP	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	571,317	891,749
Changes of assumptions	1,345,480	242,510
Changes in College's proportionate share of pension liability	59,219	182,807
Transactions subsequent to the measurement date	0	0
Total Deferred Outflows and Inflows of Resources - SRP	1,976,016	1,317,066

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:

Fiscal Year Ending June 30	Amount
2021	36,221
2022	36,221
2023	36,221
2024	115,647
2025	234,835
Thereafter	199,821

14. Other Postemployment Benefits

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

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

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

Employees Covered by Benefit Terms. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 76 of the state’s K-12 schools and educational service districts (ESDs), and 249 political subdivisions and tribal governments not included in the state's financial reporting who participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs. Membership in the PEBB plan for the College consisted of the following as of June 30, 2019:

Summary of Plan Participants	
Active Employees *	721
Retirees Receiving Benefits **	208
Retirees Not Receiving Benefits ***	35
Total Active Employees and Retirees	964

*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, and in calendar year 2019, the average weighted implicit subsidy was \$367 per adult unit per month. In calendar year 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 Premium	1,187
Employer Contribution	1,024
Employee Contribution	162
Total Premium	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 \$5.804 billion. The College’s proportionate share of the total OPEB liability is \$33,899,803. 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 June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

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

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The 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.

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 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 nine 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% for the June 30, 2018 measurement date and 3.5% 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:

OPEB Liability	
Proportionate Share (%)	0.5840907096%
Service Cost	1,372,622
Interest Cost	1,190,671
Differences Between Expected and Actual Experience	0
Changes in Assumptions *	2,217,345
Changes of Benefit Terms	0
Benefit Payments	(544,661)
Changes in Proportionate Share	(351,641)
Other	0
Net Change in Total OPEB Liability	3,884,336
Total OPEB Liability - Beginning	30,015,467
Total OPEB Liability - Ending	33,899,803

* 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% as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.5%) or one percentage point higher (4.5%) than the current rate:

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
OPEB Liability	41,051,526	33,899,803	28,345,032

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% decreasing to 4.5%, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are one percentage point lower (7% decreasing to 3.5%) or one percentage point higher (9% decreasing to 5.5%) than the current rate:

	1% Decrease	Current Trend Rates	1% Increase
OPEB Liability	27,436,743	33,899,803	42,598,099

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 \$1,116,201. OPEB expense consists of the following elements:

OPEB Expense	
Proportionate Share (%)	0.5840907096%
Service Cost	1,372,622
Interest Cost	1,190,671
Amortization of Differences Between Expected and Actual Experience	129,319
Amortization of Changes in Assumptions	(1,241,439)
Changes of Benefit Terms	0
Amortization of Changes in Proportion	(334,972)
Administrative Expenses	0
Total OPEB Expense	1,116,201

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

Proportionate Share (%)		0.5840907096%
Deferred Outflows and Inflows - OPEB	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	0	905,232
Changes of assumptions	9,829,012	1,970,972
Changes in benefit terms	0	0
Transactions subsequent to the measurement date	0	584,536
Changes in proportion	2,212,580	0
Total Deferred Outflows and Inflows of Resources - OPEB	12,041,592	3,460,740

Amounts reported as deferred outflows 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, 2021. Other 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 (%)	0.5840907096%
Fiscal Year Ending June 30	Amount
2021	(1,447,093)
2022	(1,447,093)
2023	(1,447,093)
2024	(1,447,093)
2025	(1,447,093)
Thereafter	(1,929,923)

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

OPEB Change in Proportion	
Proportionate Share (%) 2018	0.5910146423%
Proportionate Share (%) 2019	0.5840907096%
Total OPEB Liability - Ending 2018	30,015,467
Total OPEB Liability - Beginning 2019	29,663,826
Total OPEB Liability Change in Proportion	(351,641)
Total Deferred Inflows/Outflows 2018	(9,853,044)
Total Deferred Inflows/Outflows 2019	(9,737,612)
Total Deferred Inflows/Outflows Change in Proportion	115,432
Total Change in Proportion	(467,073)

15. 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 FY 2020:

Functional Classification of Operating Expenses	Amount
Instruction	38,177,378
Academic Support Services	8,033,312
Student Services	16,897,324
Institutional Support	13,713,808
Operations & Maintenance of Plant	7,893,424
Auxiliary Services	8,036,516
Student Financial Aid	11,621,354
Public Service	0
Research	0
Depreciation	4,342,689
Total Operating Expenses	108,715,805

16. Commitments and Contingencies

The College has commitments of \$9.8M for various capital improvement projects that include \$3.2M for new construction, renovations of existing buildings, infrastructure and energy projects, and \$6.6M in construction funding for Hazel Miller Hall.

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 statements.

Required Supplementary Information
Pension Plan Information

Cost Sharing Employer Plans for Edmonds College
Proportionate Share of the Net Pension Liability
Measurement Date of June 30*

Pension Plan	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
PERS Plan 1					
2014	0.117045%	\$ 5,896,196	\$ 12,338,181	47.79%	61.19%
2015	0.110928%	\$ 5,802,566	\$ 12,390,671	46.83%	59.10%
2016	0.110233%	\$ 5,920,030	\$ 12,979,683	45.61%	57.03%
2017	0.101331%	\$ 4,808,235	\$ 12,629,259	38.07%	61.24%
2018	0.103175%	\$ 4,607,831	\$13,517,308	34.09%	63.22%
2019	0.107102%	\$ 4,118,452	\$14,904,140	27.63%	67.12%
2020					
2021					
2022					
2023					
PERS Plan 2/3					
2014	0.138764%	\$ 2,804,922	\$ 11,877,166	23.62%	93.29%
2015	0.136727%	\$ 4,885,335	\$ 12,130,874	40.27%	89.20%
2016	0.137467%	\$ 6,921,361	\$ 12,825,420	53.97%	85.82%
2017	0.127543%	\$ 4,431,510	\$ 12,510,787	35.42%	90.97%
2018	0.128991%	\$ 2,202,407	\$13,373,889	16.47%	95.77%
2019	0.136375%	\$ 1,324,664	\$ 14,824,356	8.94%	97.77%
2020					
2021					
2022					
2023					

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

Required Supplementary Information
Pension Plan Information

Cost Sharing Employer Plans for Edmonds College
 Proportionate Share of the Net Pension Liability
 Measurement Date of June 30*

Pension Plan	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
TRS Plan 1					
2014	0.016377%	\$ 483,032	\$ 574,573	84.07%	68.77%
2015	0.014887%	\$ 471,641	\$ 582,543	80.96%	65.70%
2016	0.020971%	\$ 716,015	\$ 913,462	78.38%	62.07%
2017	0.019198%	\$ 580,407	\$ 1,016,963	57.07%	65.58%
2018	0.019034%	\$ 555,905	\$1,069,270	51.99%	66.52%
2019	0.015099%	\$ 373,821	\$ 987,385	37.86%	70.37%
2020					
2021					
2022					
2023					
TRS Plan 2/3					
2014	0.010302%	\$ 33,274	\$ 438,998	7.58%	96.81%
2015	0.009845%	\$ 83,072	\$ 459,312	18.09%	92.48%
2016	0.016111%	\$ 221,245	\$ 791,872	27.94%	88.72%
2017	0.017447%	\$ 161,026	\$ 957,853	16.81%	93.14%
2018	0.017670%	\$ 79,535	\$1,021,470	7.79%	96.88%
2019	0.014587%	\$ 87,892	\$ 968,999	9.07%	96.36%
2020					
2021					
2022					
2023					

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

Required Supplementary Information
Pension Plan Information

Cost Sharing Employer Plans for Edmonds College
Schedule of Contributions
Fiscal Year Ended June 30

Pension Plan	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency or (excess)	Covered payroll	Contributions as a percentage of covered payroll
PERS Plan 1					
2014	\$ 518,078	\$ 518,078	\$ 0	\$ 12,338,181	4.20%
2015	\$ 509,826	\$ 509,826	\$ 0	\$ 12,390,671	4.11%
2016	\$ 625,128	\$ 625,128	\$ 0	\$ 12,979,683	4.82%
2017	\$ 609,534	\$ 609,534	\$ 0	\$ 12,629,259	4.83%
2018	\$ 690,653	\$ 690,653	\$ 0	\$ 13,517,308	5.11%
2019	\$ 769,810	\$ 769,810	\$ 0	\$ 14,904,140	5.17%
2020	\$ 732,428	\$ 732,428	\$ 0	\$ 15,247,067	4.80%
2021					
2022					
2023					
PERS Plan 2/3					
2014	\$ 586,192	\$ 586,192	\$ 0	\$ 11,877,166	4.94%
2015	\$ 609,052	\$ 609,052	\$ 0	\$ 12,130,874	5.02%
2016	\$ 793,585	\$ 793,585	\$ 0	\$ 12,825,420	6.19%
2017	\$ 779,019	\$ 779,019	\$ 0	\$ 12,510,787	6.23%
2018	\$ 1,001,653	\$ 1,001,653	\$ 0	\$ 13,373,889	7.49%
2019	\$ 1,116,423	\$ 1,116,423	\$ 0	\$ 14,824,356	7.53%
2020	\$ 1,202,432	\$ 1,202,432	\$ 0	\$ 15,170,499	7.93%
2021					
2022					
2023					

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

Required Supplementary Information
Pension Plan Information

Cost Sharing Employer Plans for Edmonds College
Schedule of Contributions
Fiscal Year Ended June 30

Pension Plan	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency or (excess)	Covered payroll	Contributions as a percentage of covered payroll
TRS Plan 1					
2014	\$ 32,386	\$ 32,386	\$ 0	\$ 574,573	5.64%
2015	\$ 33,314	\$ 33,314	\$ 0	\$ 582,543	5.72%
2016	\$ 50,988	\$ 50,988	\$ 0	\$ 913,462	5.58%
2017	\$ 67,183	\$ 67,183	\$ 0	\$ 1,016,963	6.61%
2018	\$ 79,598	\$ 79,598	\$ 0	\$ 1,069,270	7.44%
2019	\$ 74,163	\$ 74,163	\$ 0	\$ 987,385	7.51%
2020	\$ 70,748	\$ 70,748	\$ 0	\$ 976,820	7.24%
2021					
2022					
2023					
TRS Plan 2/3					
2014	\$ 25,279	\$ 25,279	\$ 0	\$ 438,998	5.76%
2015	\$ 26,164	\$ 26,164	\$ 0	\$ 459,312	5.70%
2016	\$ 65,333	\$ 65,333	\$ 0	\$ 791,872	8.25%
2017	\$ 64,285	\$ 64,285	\$ 0	\$ 957,853	6.71%
2018	\$ 78,970	\$ 78,970	\$ 0	\$ 1,021,470	7.73%
2019	\$ 75,640	\$ 75,640	\$ 0	\$ 968,999	7.81%
2020	\$ 79,932	\$ 79,932	\$ 0	\$ 976,820	8.18%
2021					
2022					
2023					

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

Required Supplementary Information
Pension Plan Information

State Board Supplemental Retirement Plan
Schedule of Changes in Total Pension Liability and Related Ratios
Fiscal Year Ended June 30*

Total Pension Liability (TPL)	2020	2019	2018	2017
Changes in Total Pension Liability				
Service Cost	169,477	139,080	191,840	267,345
Interest	190,642	168,231	176,301	173,426
Changes of Benefit Terms	0	0	0	0
Differences Between Expected and Actual Experience	401,686	317,176	(521,432)	(1,250,408)
Changes in Assumptions	1,073,296	596,381	(176,401)	(295,131)
Benefit Payments	(86,046)	(88,691)	(65,167)	(44,516)
Change in Proportionate Share of TPL	(63,990)	(117,916)	73,671	0
Other	0	0	0	0
Net Change in Total Pension Liability	1,685,065	1,014,261	(321,188)	(1,149,284)
Total Pension Liability – Beginning	5,384,077	4,369,816	4,691,004	5,840,288
Total Pension Liability – Ending	7,069,142	5,384,077	4,369,816	4,691,004
College’s Proportion of the Pension Liability	4.819573%	4.877542%	5.012810%	4.935302%
Covered-Employee Payroll	29,058,023	27,852,620	27,990,181	27,200,979
Total Pension Liability as a Percentage of Covered-Employee Payroll	24.327676%	19.330594%	15.611960%	17.245718%

* This schedule is to be built prospectively until it contains 10 years of data.

Notes to Required Supplementary Information

The State Board Supplemental Retirement Plans are financed on a pay-as-you-go basis. The SBCTC makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, and 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 Benefit Plan Information

Schedule of Changes in Total OPEB Liability and Related Ratios
Fiscal Year Ended June 30*

Total OPEB Liability	2020	2019	2018
Changes in Total OPEB Liability			
Service Cost	1,372,622	1,876,613	2,388,061
Interest	1,190,671	1,290,161	1,118,583
Differences Between Expected and Actual Experience	0	1,177,666	0
Changes in Assumptions	2,217,345	(8,215,537)	(5,456,465)
Changes of Benefit Terms	0	0	0
Benefit Payments	(544,661)	(544,900)	(570,047)
Change in Proportionate Share	(351,641)	(793,847)	(1,682,496)
Other	0	0	0
Net Change in Total OPEB Liability	3,884,336	(5,209,844)	(4,202,364)
Total OPEB Liability – Beginning	30,015,467	35,225,311	39,427,675
Total OPEB Liability – Ending	33,899,803	30,015,467	35,225,311
College’s proportion of the Total OPEB Liability (%)	0.584091%	0.591015%	0.604641%
Covered-Employee Payroll	50,526,130	47,815,982	46,523,575
Total OPEB Liability as a Percentage of Covered-Employee Payroll	67.093607%	62.772876%	75.714970%

* This schedule is to be built prospectively until it contains 10 years of data.

Notes to Required Supplementary Information

The Public Employees 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.