Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Shoreline Community College

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

Published July 27, 2020

Report No. 1026695

Office of the Washington State Auditor
Pat McCarthy

July 27, 2020

Board of Trustees
Shoreline Community College
Shoreline, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Americans with Disabilities

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Shoreline Community College
July 1, 2018 through June 30, 2019

This schedule presents the status of findings reported in prior audit periods.

<table>
<tr><td>Audit Period:
July 1, 2017 to June 30, 2018</td><td>Report Ref. No.:
1026164</td><td colspan="2">Finding Ref. No.:
2018-001</td></tr>
<tr><td colspan="4">Finding Caption:
The College’s internal controls over accounting and financial statement preparation were inadequate to ensure accurate and complete financial reporting.</td></tr>
<tr><td colspan="4">Background:
College management is responsible for designing, implementing and maintain internal controls to ensure financial statements are prepared and fairly presented in accordance with generally accepted accounting principles (GAAP).
The College had no prepared financial statements of undergone a financial statement audit since fiscal year 2013. In 2019, the College hired a certified public accountant (CPA) firm to compile the financial statements for fiscal years 2016, 2017 and 2018 to ensure the College was caught up and in a position to have a current audit to maintain its accreditation with the Northwest Commission on Colleges and Universities (NWCCU). The NWCCU requires institutions undergo an annual, independent financial audit by professionally qualified personnel in accordance with generally accepted auditing stands. The audit must be completed within nine months after the end of the fiscal year.
The audit identified control deficiencies that were considered to be material weaknesses in internal controls over financial reporting. These control deficiencies resulted in material misstatements in the financial statements.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)</td></tr>
<tr><td>☐ Fully Corrected</td><td>☒ Partially Corrected</td><td>☐ Not Corrected</td><td>☐ Finding is considered no longer valid</td></tr>
</table>

Corrective Action Taken:

The College correctly classified the accounts receivable balance on the FY19 financial statements. The College is currently relying on an outside accounting firm for the preparation of financial statements. The Budget Director is tasked with performing a detailed review of the financial statements. The Budget Director is getting assistance from accounting faculty while reviewing the financial statements to verify there are no material errors.

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

Shoreline Community College
July 1, 2018 through June 30, 2019

Board of Trustees
Shoreline Community College
Shoreline, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Shoreline Community College, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated July 23, 2020.

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

The financial statements of the Shoreline Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to and do not, present fairly the financial position of the state of Washington as of June 30, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

In addition, we noted certain matters that we have reported to the management of the College in a separate letter dated July 23, 2020.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

July 23, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Shoreline Community College
July 1, 2018 through June 30, 2019

Board of Trustees
Shoreline Community College
Shoreline, 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 Shoreline Community College, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 13.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, based on our report and 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 Shoreline Community College, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matter of Emphasis

As discussed in Note 1, the financial statements of the Shoreline Community 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 the only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and it's aggregate discretely presented component units. They do not purport to, and do not present fairly the financial position of the state of Washington as of June 30, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

Other Matters

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

July 23, 2020

FINANCIAL SECTION

Shoreline Community College
July 1, 2018 through June 30, 2019

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

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of Shoreline Community College (the College) for the fiscal year ended June 30, 2019 (FY 2019). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Shoreline Community College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 10,000 students. The College confers associate degrees, certificates and high school diplomas. The College was established in 1964 and its primary purpose is to serve the educational, workforce, and cultural needs of their diverse students and communities.

The College's main campus is located in Shoreline, Washington, a community of about 56,000 residents. The College is governed by a five-member Board of Trustees appointed by the Governor of the State with the consent of the State Senate. In accordance with Washington State law governing technical colleges, the College's board includes one member from business and one member from labor. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit, the Shoreline Community College Foundation. The College's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2019. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash Flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the College's financial health.

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

Statement of Net Position

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

Condensed Statement of Net Position As of June 30th	**FY 2019**	**FY 2018**
Assets		
Current Assets	$ 40,766,276	$ 62,304,176
Other Assets, non-current	162,153	881,238
Capital Assets, net	64,527,120	39,477,311
Total Assets	**105,455,549**	**102,662,725**
Deferred Outflows	**3,682,360**	**2,579,542**
Liabilities		
Current Liabilities	13,880,258	10,982,732
Other Liabilities, non-current	69,633,339	74,585,229
Total Liabilities	**83,513,597**	**85,567,961**
Deferred Inflows	**11,714,284**	**5,945,570**
Net Position		
Net Investment in Capital Assets	24,824,374	32,429,756
Restricted	165,162	148,803
Unrestricted	(11,079,508)	(18,849,823)
Total Net Position	**$ 13,910,028**	**$ 13,728,736**

Current assets consist primarily of cash, various accounts receivables and inventories. The significant decrease of current assets can be attributed to a decrease in the receivable related to the Certificates of Participation (COP) for construction of the student housing. As the project continues and funds are drawn from the COP, this decrease in receivables is offset by an increase in net capital assets, in the form of Construction in progress.

Non-current assets consist of long-term student loans receivable. The non-current assets in the prior year included a long-term interest receivable from Office of the State Treasury related to the 2018 COP issuance. As funds are drawn the balance in this account is reduced.

Net capital assets increased by approximately $26.7 million due to the amount included in construction in progress for the various building projects in process. This increase was offset by current year depreciation expense in the amount of $1,606,256.

Deferred outflows of resources and deferred inflows of resources represent pension-related deferrals associated with the implementation of GASB 68 in FY 2015, GASB 73 in FY 2017 and GASB 75 in FY 2018. The increase in deferred outflows reflects the College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement Systems (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to actuarial assumptions. The College recorded $2,579,542 in FY 2018 and $3,682,360 in FY 2019 of pension-related and postemployment-related deferred outflows. The increase reflects the change in assumptions and the difference between expected and actual experience.

Similarly, the increase in deferred inflows in FY 2019 reflects the increase in difference between actual and projected investment earnings and changes in assumptions on the state's pension plans and other post-employment benefits. The College recorded $11,714,284 in FY 2019 compared to $5,945,570 in FY 2018.

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

The net increase in current liabilities from FY 2018 to FY 2019 is mostly due to the decrease in the current portion of OPEB liability payable offset by a large increase in accounts payable as a result of the construction projects still in progress at the end of the fiscal year.

Non-current liabilities primarily consist of the long-term portion of vacation and sick leave earned but not yet used by employees, the long-term portion Certificates of Participation debt, and the pension and OPEB liabilities. The College's non-current liabilities decrease is due to changes in their proportionate share of the pension and OPEB liabilities in addition to payments made on the COPs.

Net position represents the College's assets plus deferred outflows, less liabilities and deferred inflows, and measures whether the financial condition has improved or worsened during the year. The College is required by accounting standards to report its net position in three categories:

> ***Net Investment in Capital Assets –*** The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.
>
> ***Restricted, Expendable –*** resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary expendable funds for the College are for student loans and the 3½ percent fund collected from student tuition strictly for the purpose of providing supplemental financial student aid.
>
> ***Unrestricted –*** Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. For instance, the Board of Trustees has required that at least 90 days of operating expenses be maintained in the event of business interruption.

Condensed Net Position As of June 30th	**FY 2019**	**FY 2018**
Net investment in capital assets	$ 24,824,374	$ 32,429,756
Restricted		
Nonexpendable	3,009	3,009
Expendable	162,153	145,794
Unrestricted	(11,079,508)	(18,849,823)
Net Position	**$ 13,910,028**	**$ 13,728,736**

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

A condensed comparison of the College's revenues, expense and changes in net position for the years ended June 30, 2019 and 2018 is presented below.

Condensed Statement of Revenue, Expenses and Changes in Net Position For the Year Ended June 30, 2019 and 2018		
	2019	**2018**
Operating Revenues		
Student tuition and fees, net of scholarship discounts and allowances	$ 24,064,708	$ 25,739,048
Auxiliary enterprise sales	1,182,506	1,254,331
Grants and contracts	9,645,436	8,181,385
Other operating revenues	96,133	266,779
Total operating revenues	**34,988,783**	**35,441,543**
Non-Operating Revenues		
State appropriations	23,886,904	23,234,767
Federal Pell grant revenue	4,503,867	5,427,841
Total non-operating revenues	**28,390,771**	**28,662,608**
Total Revenue	**63,379,554**	**64,104,151**
Operating Expenses		
Salaries and benefits	45,329,130	47,890,511
Scholarships, net of discounts	6,572,016	8,343,584
Depreciation	1,606,256	1,594,640
Other operating expenses	12,968,733	10,915,100
Total operating expenses	**66,476,135**	**68,743,835**
Non-Operating Expenses		
Building fee remittance	1,372,609	1,419,767
Other non-operating expenses	507,984	943,866
Total non-operating expenses	**1,880,593**	**2,363,633**
Total Expense	**68,356,728**	**71,107,468**
Excess (Deficiency) before Capital Contributions	**(4,977,174)**	**(7,003,317)**
Capital Appropriations and Contributions	**5,158,466**	**611,922**
Change in Net Position	**181,292**	**(6,391,395)**
Net Position		
Net position, beginning of year	13,728,736	46,603,602
Cumulative effect of change in accounting principle and correction of error	-	(26,483,471)
Net position, beginning of year, as restated	13,728,736	20,120,131
Net Position, End of the Year	**$ 13,910,028**	**$ 13,728,736**

Revenues

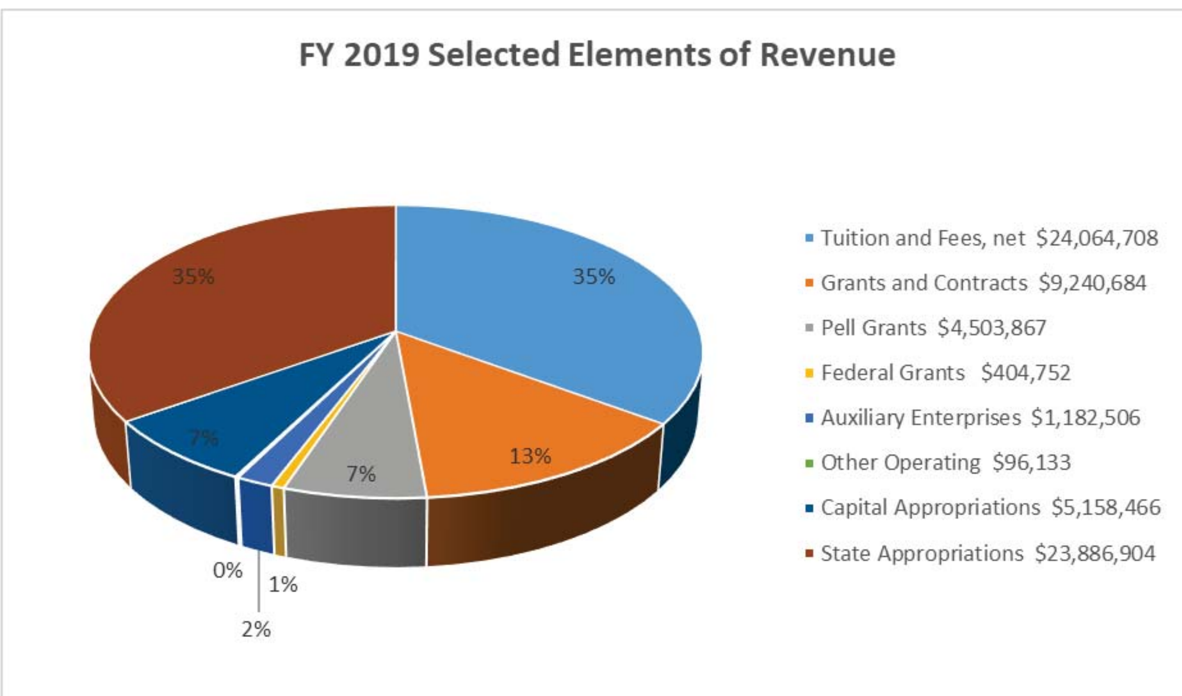
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the 34 college's based on 3 year average FTE actuals. Additionally, the Supplemental Budget also reduces the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation will continue in FY2019.

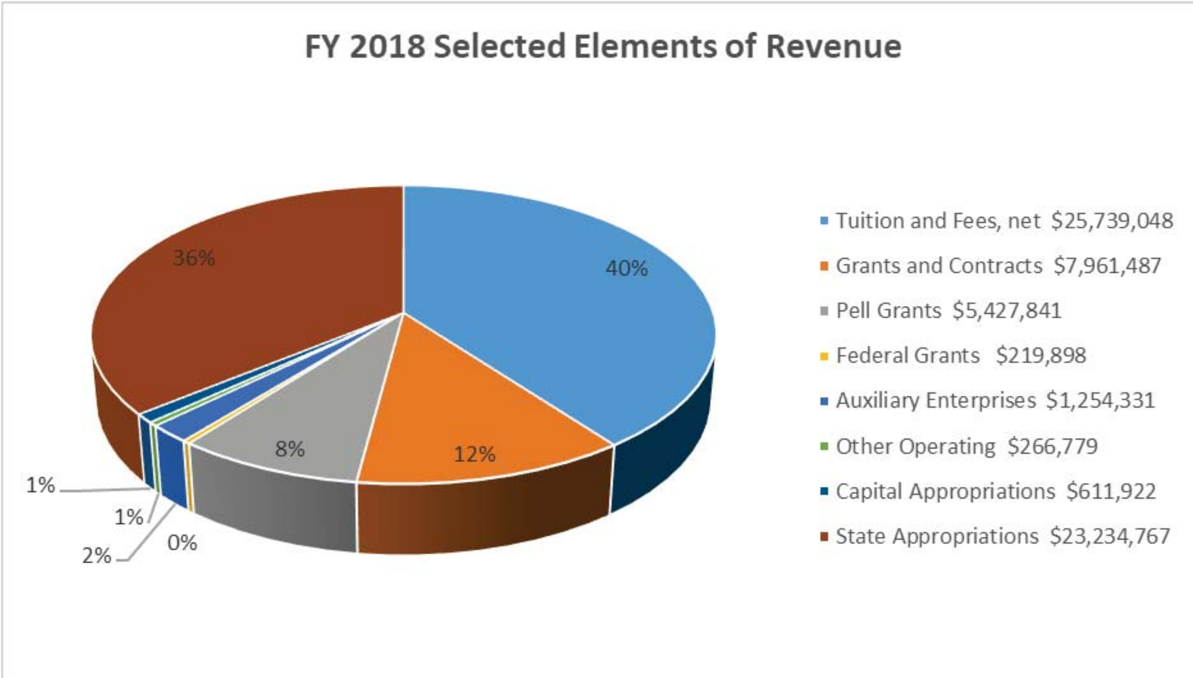
In FY16, the legislature enacted the Affordable Education Act, which reduced tuition rates at the College by 5%. The legislature did however backfill a portion of the loss in the operating allocation.

Pell grant revenues generally follow enrollment trends. As the College's enrollment decreased, so did the College's Pell Grant revenue. For FY 2019, the College attempted to keep other fees as stable as possible, resulting in only small changes in these revenues. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law.

In FY 2019, grant and contract revenues for federal and state increased by $1,279,197 when compared with FY 2018. This increase in grant revenue was due to increase in enrollment for both Running Start and Career Employment Options programs. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses.

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





Expenses

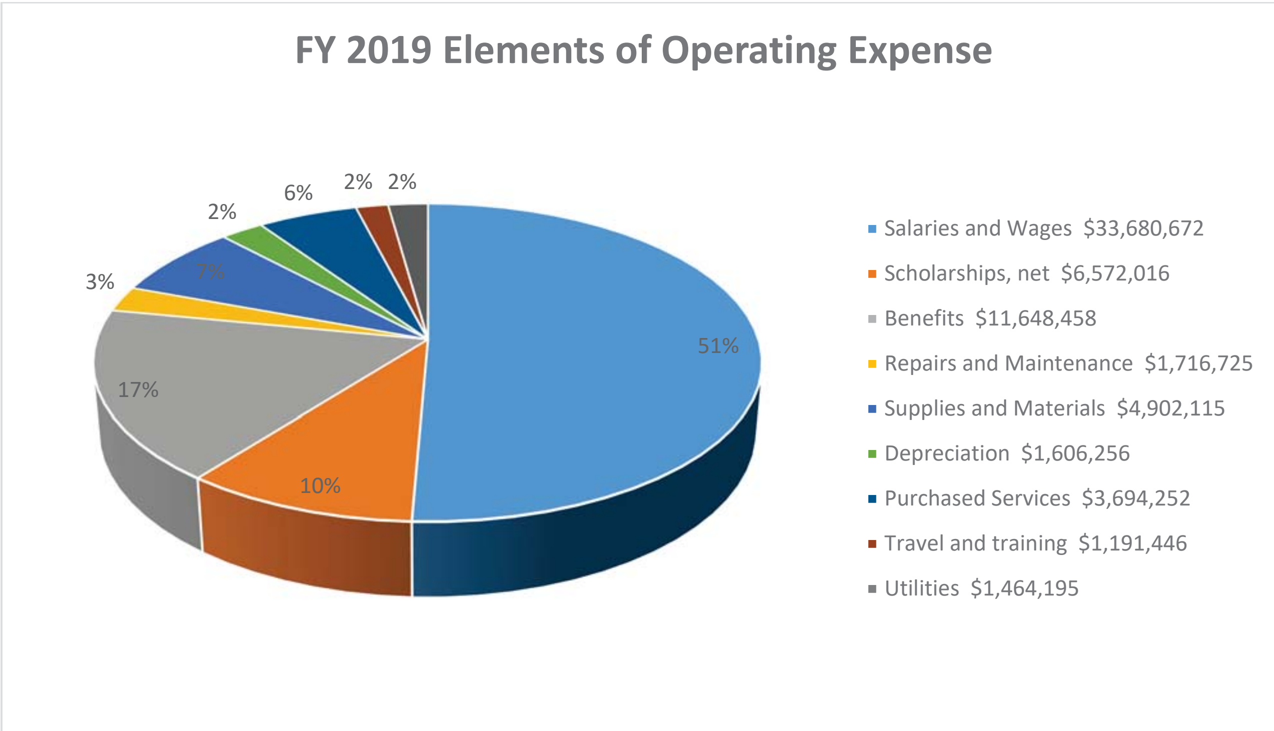
Faced with severe budget cuts over the past seven years, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes.

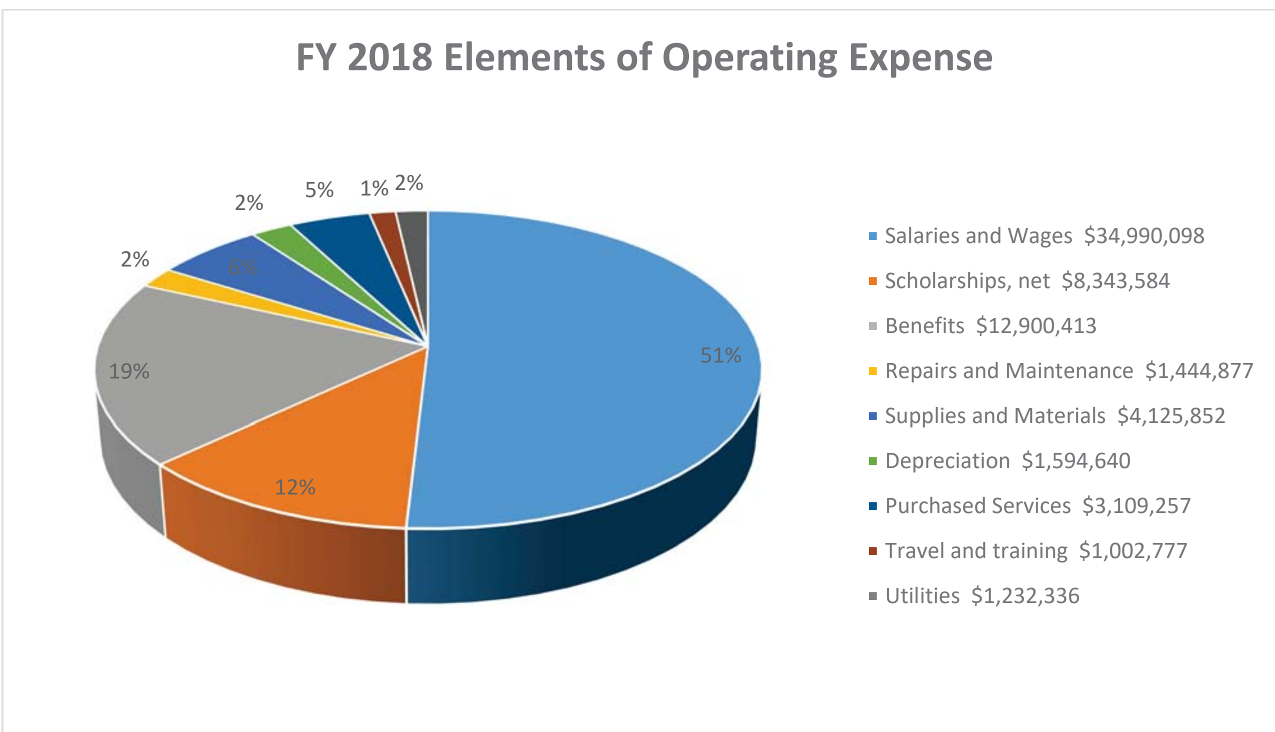
In FY 2019, salary and benefit costs decreased by $1,309,426 and $1,251,955, respectively, as a result of back pay to faculty that was required to be paid out in FY 2018.

Scholarships and fellowships decrease by $1,771,568 due to the decrease in enrollment and revisions in budget. Other operating expense increased mostly due to the repairs and maintenance expenditures incurred during the year for noncapitalizable project expenditures.

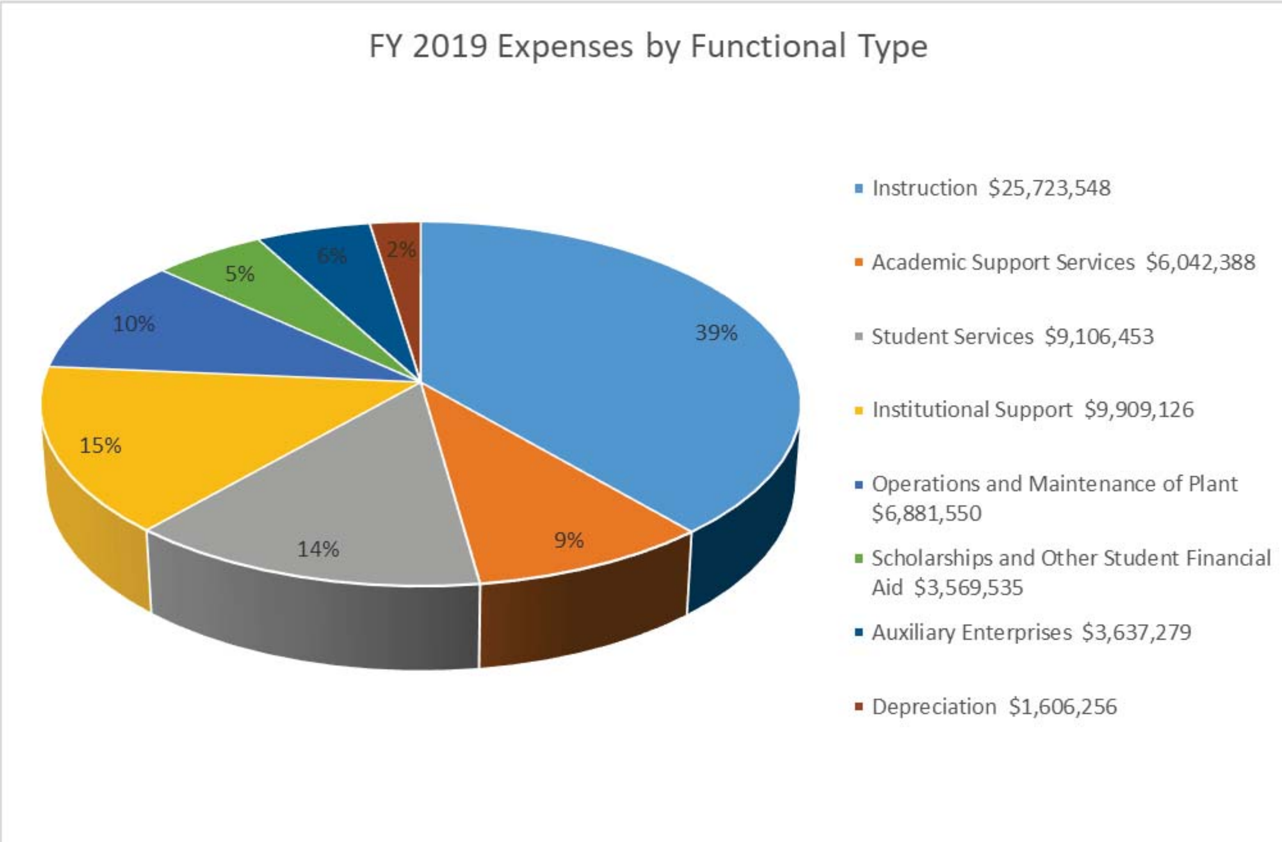
<u>Comparison of Selected Operating Expenses by Function</u>

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


FY 2019 Elements of Operating Expense
2%
2%
6%
2%
3%
7%
51%
17%
10%
Salaries and Wages $33,680,672
Scholarships, net $6,572,016
Benefits $11,648,458
Repairs and Maintenance $1,716,725
Supplies and Materials $4,902,115
Depreciation $1,606,256
Purchased Services $3,694,252
Travel and training $1,191,446
Utilities $1,464,195


FY 2018 Elements of Operating Expense
2%
1%
5%
2%
2%
6%
51%
19%
12%
Salaries and Wages $34,990,098
Scholarships, net $8,343,584
Benefits $12,900,413
Repairs and Maintenance $1,444,877
Supplies and Materials $4,125,852
Depreciation $1,594,640
Purchased Services $3,109,257
Travel and training $1,002,777
Utilities $1,232,336

<u>Operating Expenses by Function</u>
The chart below shows the percentage of each functional area of operating expenses for FY 2019.



Capital Assets
At June 30, 2019, the College had invested $64,527,120 in capital assets, net of accumulated depreciation. This represents a net increase of $25,049,809 from last year, as shown in the table below.

Asset Type As of June 30th	**FY 2019**	**FY 2018**	**Change**
Land	$ 532,583	$ 532,583	$ -
Construction in Progress	26,422,581	622,031	25,800,550
Buildings, net	35,219,885	36,310,106	(1,090,221)
Equipment, net	1,680,591	1,926,505	(245,914)
Library Resources, net	91,916	86,086	5,830
Total Capital Assets, Net	**$ 64,527,120**	**$ 39,477,311**	**$ 25,049,809**

The increase in net capital assets can be attributed to the amount included in construction in progress for the construction of the new student housing and the allied health and science building. This increase was offset by depreciation expense of $1,606,256. Additional information on capital assets can be found in Note 6 of the Notes to the Financial Statements.

Long-term Debt

At June 30, 2019, the College had $35,389,066 in outstanding debt. This represents a decrease of $748,571 as shown in the table below. Additional information of notes payable, long term debt and debt service schedules can be found in Notes 12, 13 and 14 of the Notes to the Financial Statements.

Debt As of June 30th	FY 2019	FY 2018	Change
Certificates of Participation	$ 35,389,066	$ 36,137,637	$ (748,571)
Total Debt	**$ 35,389,066**	**$ 36,137,637**	**$ (748,571)**

Economic Factors That May Affect the Future

The College's state operating appropriations increased moderately in FY 2019, primarily from new state revenue sources. Initial revenues tied these new allocations are coming in lower than previously anticipated. The College has anticipated this reduction and is prepared to make adjustments in the event that state revenues continues to decline.

Generally, the national, state, and local economy continue to grow. With that, fewer students are turning to higher education. This phenomenon coupled with a national trend in the traditional college going aged population will depress enrollments at the College for the foreseeable future. In turn, tuition revenue will continue to decline.

As the college was finishing the 18-19 Financial Statement, in February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, and limiting gathering sizes.

Consistent with the Governor's instructions, the college has converted classes to online delivery. At this time, enrollment has not been significantly affected and classes are expected to continue using online delivery. However, the length of time these measures will be in place, and the full extent of the financial impact on the college is unknown at this time.

The State Auditors will be starting the audit for our 2018-2019 Financial Statements. By the time that is completed the college will have a much better handle on the financial impact of COVID-19 virus on College operations.

Additionally, the College is in regular contact with the SBCTC for updates and planning for future budget disruptions.

Shoreline Community College

Statement of Net Position

June 30, 2019

Assets		
Current assets		
Cash and cash equivalents	$	23,880,116
Accounts receivable, net		16,703,073
Student loans receivable, net		18,196
Interest receivable		6,676
Inventories		155,015
Prepaid expenses		3,200
Total current assets		40,766,276
Non-Current Assets		
Student loans receivable		162,153
Non depreciable capital assets		26,955,164
Capital assets, net of depreciation		37,571,956
Total non-current assets		64,689,273
Total Assets		**105,455,549**
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions		2,540,046
Deferred outflows of resources related to OPEB		1,142,314
Total Deferred Outflows of Resources		3,682,360
Liabilities		
Current Liabilities		
Accounts payable		4,585,496
Accrued liabilities		1,789,347
Compensated absences, short term		1,480,062
Unearned revenue		3,929,093
Certificates of participation payable, current portion		1,441,266
Unamortized bond premium, current portion		180,363
Total pension liability, current portion		80,654
OPEB liability, current portion		393,977
Total current liabilities		13,880,258
Noncurrent Liabilities		
Compensated absences		1,626,001
Long-term liabilities		33,947,800
Unamortized premium		4,133,317
Net pension liability		5,017,514
Total pension liability		3,845,516
OPEB liability		21,063,191
Total non-current liabilities		69,633,339
Total Liabilities		**83,513,597**
Deferred Inflow of Resources - Related to Pensions		
Deferred inflows of resources related to pensions		3,069,661
Deferred inflows of resources related to OPEB		8,644,623
Total Deferred Inflows of Resources		11,714,284
Net Position		
Net investment in capital assets		24,824,374
Restricted for:		
Nonexpendable		3,009
Expendable		
Student loans		162,153
Unrestricted		(11,079,508)
Total Net Position	**$**	**13,910,028**

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

Shoreline Community College

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2019

Operating Revenues		
Student tuition and fees, net		$ 24,064,708
Auxiliary enterprise sales		1,182,506
State and local grants and contracts		9,240,684
Federal grants and contracts		404,752
Other operating revenues		89,553
Interest on loans to students		6,580
	Total Operating Revenue	34,988,783
Operating Expenses		
Salaries and wages		33,680,672
Employee benefits		11,648,458
Scholarships and fellowships		6,572,016
Supplies and materials		4,902,115
Depreciation		1,606,256
Purchased services		3,694,252
Utilities		1,464,195
Repairs and maintenance		1,716,725
Travel and training		1,191,446
	Total Operating Expenses	66,476,135
	Operating Income (Loss)	(31,487,352)
Non-Operating Revenues (Expenses)		
State appropriations		23,886,904
Federal Pell grant revenue		4,503,867
Building fee remittance		(1,372,609)
Innovation fund remittance		(348,498)
Interest on indebtedness		(159,486)
	Net Non-Operating Revenues (Expenses)	**26,510,178**
Income or (loss) before capital revenues		(4,977,174)
Capital Revenues		
Capital appropriations		5,158,466
	Total Capital Revenues	5,158,466
	Increase (Decrease) in Net Position	181,292
Net Position		
Net position, beginning of year		13,728,736
Net position, end of year		$ 13,910,028

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

Shoreline Community College
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities	
Student tuition and fees	$ 24,398,729
Grants and contracts	9,206,101
Payments to vendors	(7,543,819)
Payments for utilities	(1,334,513)
Payments to employees	(33,951,523)
Payments for benefits	(11,755,547)
Auxiliary enterprise sales	1,203,768
Payments for scholarships and fellowships	(6,572,016)
Other receipts	100,073
Net cash used by operating activities	(26,248,747)
Cash flows from noncapital financing activities	
State appropriations	20,810,795
Pell grants	4,503,867
Building fee remittance	(1,372,609)
Innovation fund remittance	(348,498)
Net cash provided by noncapital financing activities	23,593,555
Cash flows from capital and related financing activities	
Capital appropriations	5,158,466
Purchases of capital assets	(26,656,065)
Proceeds from certificate of participation	23,357,807
Principal paid on debt	(748,571)
Interest paid	(339,848)
Net cash used by capital and related financing activities	771,789
Cash flows from investing activities	-
Increase (decrease) in cash and cash equivalents	(1,883,403)
Cash and cash equivalents at the beginning of the year	25,763,519
Cash and cash equivalents at the end of the year	$ 23,880,116

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

Shoreline Community College
Statement of Cash Flows
For the Year Ended June 30, 2019

Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	$ (31,487,352)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	1,606,256
Changes in assets and liabilities	
Receivables, net	69,503
Student loans, net	(11,182)
Inventories	33,337
Other assets	225
Accounts payable	3,984,918
Accrued liabilities	33,432
Unearned revenue	(140,027)
Compensated absences	(355,674)
Pension and OPEB liability adjustment expense	17,817
Net cash used by operating activities	$ (26,248,747)

Supplemental Non Cash Activities Information:	
Due from State Treasurer (noncapital related)	$ 3,076,109
Amortization of Bond Premium	180,362
Write off of fully depreciated capital assets	60,143

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

Shoreline Community College Foundation

Statement of Financial Position

June 30, 2019

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	632,640
Accounts receivable, net		40,140
Contract receivable, net		216,533
Grant receivable, net		18,750
Prepaid expenses		2,074
Total Current Assets		910,137
OTHER ASSETS		
Long-term investments		3,452,231
Total Assets	$	4,362,368
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$	1,537
Contract payable		166,746
Total Current Liabilities		168,283
NET ASSETS		
Without donor restrictions		595,743
With donor restrictions		3,598,342
Total Net Assets		4,194,085
Total Liabilities and Net Assets	$	4,362,368

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

Shoreline Community College Foundation
Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 9,030	$ 231,474	$ 240,504
In-kind contributions	190,330	7,755	198,085
Special events revenue	4,978	74,462	79,440
Contract revenue	374,452	-	374,452
Other income	-	13,421	13,421
Net investment return	19,217	152,873	172,090
Net assets released from restrictions	329,143	(329,143)	-
Total Revenues, Gains, and Other Support	927,150	150,842	1,077,992
EXPENSES			
Program services:			
College program support	400,016	-	400,016
Scholarships	219,843	-	219,843
Total Program Services	619,859	-	619,859
Supporting services:			
Administration	235,052		235,052
Fundraising	9,729	-	9,729
Total Supporting Services	244,781	-	244,781
Total Expenses	864,640	-	864,640
Change in Net Assets	62,510	150,842	213,352
Net assets - Beginning of Year	533,233	3,447,500	3,980,733
Net assets - End of Year	$ 595,743	$ 3,598,342	$ 4,194,085

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

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Shoreline Community 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. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the State Senate.

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

The Shoreline Community College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1984 and recognized as a tax exempt 501(c)(3) charitable organization. The Foundation's charitable purpose is to build relationships with the community, acquire resources to support academic excellence and educational access at the College. Because the majority of the Foundation's resources are restricted by donors and may only be used for the benefit of the College or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discretely presented component unit is an entity, which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2019, the Foundation provided support totaling $594,955 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 16101 Greenwood Avenue, Shoreline, WA 98133.

Basis of Presentation

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. For financial reporting purposes, the College is considered a special-purpose government engaged only in Business Type Activities (BTA). In accordance with BTA reporting, the College presents a Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements. The format provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting

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

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

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand and bank demand deposits. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets. The College records all cash and cash equivalents at fair value.

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

Accounts Receivable

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

Inventories

Inventories, consisting primarily of merchandise for resale in the college bookstore and course related supplies are valued at cost using various methods.

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.

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

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. Unearned revenues also include tuition and fees paid with financial aid funds. The College has recorded summer quarter tuition and fees as well as rent received for future periods, as unearned revenues.

Tax Exemption

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

Net Pension Liability

The College records an aggregate pension liability equal to the net pension liabilities for its Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) pension plans. The net pension liability is measured as the College's proportionate share of the total pension liabilities, less the amount of the pension plans' fiduciary net positions. These net pension liabilities are associated with pension plans administered by the Washington State Department of Retirement Systems. The measurement date of the net pension liability is June 30 of the prior fiscal.

Total Pension Liability

The College records a total pension liability equal to the College's proportionate share of the total of the State Board (SBCTC) Retirement Supplemental Pension Liability. There are no assets that back this pension liability. The measurement date of the total pension liability is the same as the Statement of Net Position.

Other Post Employment Benefits (OPEB)
The total OPEB liability is measured as the College's proportionate share of the state of Washington's total OPEB liability, with proportionate shared determined based on the relationship of the College's healthcare-eligible headcount to the total healthcare-eligible headcount for the state. The measurement date of the total OPEB liability is June 30 of the prior fiscal year.

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

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

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

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

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

- *Net Investment in Capital Assets*. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted for Nonexpendable*. This consists of endowments and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principle.
- *Restricted for Expendable*. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
- *Unrestricted*. These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues and Expenses

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

- *Operating Revenues*. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts that primarily support the operational/educational activities of the college. Examples include a contract with OSPI to offer Running Start and/or Technical High School. The College also receives Adult Basic Education grants that support the primary educational mission of the College.
- *Operating Expenses.* Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation.
- *Non-operating Revenues*. This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, investment income and Pell grants received from the federal government.
- *Non-operating Expenses.* Non-operating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on the Certificate of Participation Loan.

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

Classification of Revenues and Expenses

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

Operating Revenues. This includes activities that are directly related to the principal operations of the College, such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) federal, state and local grants and contracts that primarily support the operational/educational activities of the colleges. Examples include a contract with OSPI to offer Running Start and/or Technical High School. The college also receives Adult Basic Education grants that support the primary educational mission of the college.

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

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

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2019 are $3,761,943.

State Appropriations

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

Building and Innovation Fee Remittance

Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The building fee portion of tuition charged to students is an amount established by the Legislature and is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The building fee is remitted on the 35^{th} day of each quarter. The innovation fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College remits the portion of tuition collected for the innovation fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the Statement of Revenues, Expenses and Changes in Net Position.

2. Cash and Cash Equivalents

Cash and cash equivalents include bank demand deposits and petty cash held at the College.

As of June 30, 2019, the carrying amount of the College's cash and cash equivalents was $23,880,116 as represented in the table below.

Cash and Cash Equivalents	Amount
Petty cash and change funds	$ 7,890
Bank demand	23,872,226
Total Cash and Cash Equivalents	**$ 23,880,116**

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

Fair Value Measurement
Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 – Inputs that are unobservable and significant to the fair market value measurement. These are used only if relevant Level 1 and Level 2 inputs are not available.

At June 30, 2019, the College did not hold any investments.

The Foundation held $3,452,231 in investments at June 30, 2019, and $3,047,250 of the investments are considered Level 1 investments and $388,319 are considered Level 2 investments. The remaining amount of $16,662 is cash and not rated. All investments are held at their estimated fair value.

3. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements. At June 30, 2019, accounts receivable were as follows.

Accounts Receivable	Amount
Student Tuition and Fees	$ 1,341,781
Due from the Federal Government	184,477
Due from the Office of the State Treasurer (OST)	
Vendor Payment Advance (VPA)	3,101,320
Unspent Proceeds from Certificates of Participation	10,226,318
Due from Other State Agencies	243,258
Due from Other Governments	663,326
Auxiliary Enterprises	46,324
Unbilled Tuition	1,232,994
Other	26,978
Subtotal	17,066,776
Less Allowance for Uncollectible Accounts	(363,703)
Accounts Receivable, net	$ 16,703,073

4. Loans Receivable
Loans receivable as of June 30, 2019 consisted primarily of student loans, as follows.

Loans Receivable	Amount
Student Loans Receivable	$ 194,442
Less Allowance for Uncollectible Accounts	(14,093)
Accounts Receivable, net	$ 180,349

5. Inventories

Inventories, stated at cost using the first in, first out method (FIFO), consisted of the following as of June 30, 2019:

Inventories	Amount
Consumable Inventories	$ 2,642
Merchandise Inventories	152,373
Total Inventories	$ 155,015

6. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2019 is presented as follows. The current year depreciation expense was $1,606,256.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	$ 532,583	$ -	$ -	$ 532,583
Construction in progress	622,031	25,800,550	-	26,422,581
Total nondepreciable capital assets	1,154,614	25,800,550	-	26,955,164
Depreciable capital assets				
Buildings	61,807,215	-	-	61,807,215
Other improvements and infrastructure	-	580,532	-	580,532
Equipment	7,625,732	242,031	(20,440)	7,847,323
Library resources	196,605	32,952	(39,703)	189,854
Subtotal depreciable capital assets	69,629,552	855,515	(60,143)	70,424,924
Less accumulated depreciation				
Buildings	25,497,109	1,090,221	-	26,587,330
Other improvements and infrastructure	-	968	-	968
Equipment	5,699,227	487,945	(20,440)	6,166,732
Library resources	110,519	27,122	(39,703)	97,938
Total accumulated depreciation	31,306,855	1,606,256	(60,143)	32,852,968
Total depreciable capital assets	38,322,697	(750,741)	-	37,571,956
Capital assets, net of accumulated depreciation	**$ 39,477,311**	**$ 25,049,809**	**$ -**	**$ 64,527,120**

7. Accounts Payable and Accrued Liabilities

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

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 863,003
Accounts Payable	4,585,496
Accrued Interest	147,034
Amounts Held for Others and Retainage	779,310
Total Accounts Payable and Accrued Liabilities	**$ 6,374,843**

8. Unearned Revenue

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

Unearned Revenue	Amount
Summer Quarter Tuition & Fees	$ 3,929,093
Total Unearned Revenue	$ 3,929,093

9. Risk Management

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. Payments made for claims from July 1, 2018 through June 30, 2019, were $125,691. Cash reserves for unemployment compensation for all employees at June 30, 2019 were $367,584.

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

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

10. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $1,455,326 and accrued sick leave totaled $1,649,976 at June 30, 2019.

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.

11. Notes Payable

In August, 2006, the College obtained financing in order to renovate and remodel the Student Union Building through certificate of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $15,390,000. Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 2006. The interest rate charged is 4.5 percent per year. Student fees related to the COP are accounted for in a dedicated fund, which is used to pay principal and interest that does not come out of the general operating budget.

In March, 2016, the COP was refinanced for ten years at 1.97%. The principal balance was $7,805,000 for a net savings in interest of $1,134,020. The College's debt service requirements for this note agreement for the next five years and thereafter are shown in Note 13.

In March, 2014, the College obtained financing for capital projects related to water conservation, external lighting and server room electrical upgrade through certificate of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $560,104. The interest rate charged is 2.18 percent per year and is to be paid over ten years.

In May 2018, the College obtained financing in order to construct student housing through a COP issued by the Washington Office of State Treasurer (OST) in the amount of $29,165,000. The COP was sold for a premium of $4,509,073, which the College will amortize over the life of the COP. The interest rate charged is 3.705% and is for a 25-year term.

12. Annual Debt Service Requirements

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

Annual Debt Service Requirements

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2020	$ 1,441,266	$ 1,764,403	$ 3,205,669
2021	1,510,703	1,692,953	3,203,656
2022	1,592,757	1,618,024	3,210,781
2023	1,664,922	1,539,064	3,203,986
2024	1,739,418	1,457,441	3,196,859
2025-2029	6,520,000	6,089,250	12,609,250
2030-2034	5,900,000	4,668,750	10,568,750
2035-2039	7,525,000	3,038,750	10,563,750
2040-2043	7,495,000	959,750	8,454,750
Total	**$ 35,389,066**	**$ 22,828,385**	**$ 58,217,451**

13. Schedule of Long Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Certificates of Participation	$ 36,137,637	$ -	$ 748,571	$ 35,389,066	$ 1,441,266
Unamortized Bond Premium	4,494,043		$ 180,363	4,313,680	180,363
Compensated Absences	3,461,737	1,273,562	1,629,236	3,106,063	1,480,062
Pension Liabilities	10,070,125	-	1,126,441	8,943,684	80,654
OPEB Liabilities	24,978,806		3,521,638	21,457,168	393,977
Total	$ 79,142,348	$ 1,273,562	$ 7,206,249	$ 73,209,661	$ 3,576,322

14. Retirement Plans

A. General

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

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

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

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

Aggregate Pension Amounts - All Plans	Total
Pension liabilities	$ (8,943,684)
Deferred outflows of resources related to pensions	$ 2,540,046
Deferred inflows of resources related to pensions	$ (3,069,661)
Pension expense	$ 544,222

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

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

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

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

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

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

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

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

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

PERS

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

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

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

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

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

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

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

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

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

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

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

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

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

TRS

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

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

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

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

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

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

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

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

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

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

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

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

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rate	12.83%	12.83%	15.41%	15.41%
Actual Contributions	$ 463,674	$ 658,651	$ 87,260	$ 80,308

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

Actuarial Assumptions

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

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

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

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

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

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

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

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

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

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	7.00%	4.90%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
Total	100.00%	

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

Pension Plan	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS Plan 1	$ 3,705,326	$ 3,015,073	$ 2,417,158
PERS Plan 2/3	$ 6,541,749	$ 1,430,194	$ (2,760,707)
TRS Plan 1	$ 632,766	$ 506,265	$ 396,734
TRS Plan 2/3	$ 411,249	$ 65,982	$ (214,495)

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

Pension Liabilities

At June 30, 2019, the College reported a total pension liability of $2,391,281 for its proportionate share of the net pension liabilities as follows:

Pension Plan	Liability
PERS 1	$ 3,015,073
PERS 2/3	1,430,194
TRS 1	506,265
TRS 2/3	65,982
Total	**$ 5,017,514**

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

Pension Plan	2017	2018	Change
PERS 1	0.069726%	0.067511%	-0.002215%
PERS 2/3	0.086878%	0.083764%	-0.003114%
TRS 1	0.013951%	0.017334%	0.003383%
TRS 2/3	0.011206%	0.014659%	0.003453%

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

Pension Expense

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

Pension Expense		Total
PERS 1	$	158,415
PERS 2/3		48,494
TRS 1		161,156
TRS 2/3		53,651
Total	**$**	**421,716**

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 175,305	$ 250,401
Difference between expected and actual earnings of pension plan investments	-	119,817	-	877,634
Changes of Assumptions	-	-	16,731	407,022
Changes in College's proportionate share of pension liabilities	-	-	157,847	110,651
Contributions to pension plans after measurement date	463,674	-	658,651	-
	$ 463,674	**$ 119,817**	**$ 1,008,534**	**$ 1,645,708**

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 31,007	$ 4,872
Difference between expected and actual earnings of pension plan investments	-	21,650	-	55,803
Changes of Assumptions	-	-	1,122	26,516
Changes in College's proportionate share of pension liabilities	-	-	57,524	7,432
Contributions to pension plans after measurement date	87,260	-	80,308	-
	$ 87,260	**$ 21,650**	**$ 169,961**	**$ 94,623**

The $1,289,893 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2020.

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

Year ended June 30	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2020	$ 5,242	$ (95,867)	$ 2,166	$ 17,107
2021	(26,193)	(282,040)	(4,482)	(3,229)
2022	(78,597)	(531,789)	(15,395)	(25,861)
2023	(20,269)	(193,522)	(3,939)	(4,986)
2024	-	(68,225)	-	2,868
Thereafter	-	(124,382)	-	9,131
Total	**$(119,817)**	**$ (1,295,825)**	**$ (21,650)**	**$ (4,970)**

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

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

Plan Description

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

Contributions

Contribution rates for the SRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2019 were each $1,783,490.

Benefits Provided

The State Board Supplemental Retirement Plans provide retirement, disability, and death benefits to eligible members.

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

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

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

The SRP pension benefits are unfunded. For the year ended June 30, 2019, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of $1,818,000. The College's share of this amount was $64,675. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2019, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $20,485,474. This amount was not used as a part of GASB 73 calculations since its status as an asset has not been determined by the Legislature. As of June 30, 2019, the Community and Technical College system accounted for $19,733,342 of the fund balance.

Actuarial Assumptions

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

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

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

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

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

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

Discount Rate

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

Pension Expense

Pension expense for the fiscal year ending June 30, 2019 was $122,506.

Proportionate Share (%)		**3.556796%**
Service Cost	$	101,420
Interest Cost		122,677
Differences Between Expected and Actual Experience		(133,567)
Amortization of Changes in Assumptions		15,140
Changes of Benefit Terms		-
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		**105,670**
Amortization of the Change in Proportionate Share of TPL		16,836
Total Pension Expense	**$**	**122,506**

Proportionate Shares of Pension Liabilities

The College's proportionate share of pension liabilities for fiscal year ending June 30, 2019 was 3.56%. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating College's. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Proportionate Share (%) 2018		**3.69%**
Proportionate Share (%) 2019		**3.56%**
Total Pension Liability - Ending 2018	$	3,217,752
Total Pension Liability - Beginning 2019		3,100,566
Total Pension Liability - Change in Proportion		(117,186)
Total Deferred Inflow/Outflows - 2018		1,301,378
Total Deferred Inflow/Outflows - 2019		1,253,984
Total Deferred Inflows/Outflows - Change in Proportion		(47,394)
Total Change in Proportion	**$**	**(164,580)**

Plan Membership

Membership of the State Board Supplemental Retirement Plans consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Number of Participating Members				
Plan	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
State Board for Community and Technical Colleges (SBCTC) - SRP	4	6	187	197

Change in Total Pension Liability/ (Asset)

The following table presents the change in total pension liability of the State Board Supplemental Retirement Plan at June 30, 2019:

Schedule of Changes in Total Pension Liability		
Total Pension Liability		**Amount**
Service Cost	$	101,420
Interest		122,677
Changes of benefit terms		-
Differences between expected and actual experience		231,291
Changes of assumptions		434,892
Benefit payments		(64,676)
Changes in Proportionate Share of TPL		(117,186)
Other		-
Net Change In Total Pension Liability	$	708,418
Total Pension Liability - Beginning	$	3,217,752
Total Pension Liability - Ending	$	3,926,170

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

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

1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
$ 4,486,222	$ 3,926,170	$ 3,461,118

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

At June 30, 2019, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 200,035	$ 822,923
Changes of Assumptions	376,123	222,600
Changes in College's proportionate share of pension liability	234,459	142,340
Transactions subsequent to the measurement date	-	-
	$ 810,617	**$ 1,187,863**

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

State Board Supplemental Retirement Plan		
2020	$	(101,591)
2021		(101,591)
2022		(101,591)
2023		(101,591)
2024		(42,966)
Thereafter		72,084
Total	**$**	**(377,246)**

15. Other Post-Employment Benefits

Plan Description

In addition to pension benefits as described in Note 15, the College, through the Health Care Authority (HCA), administers a single employer defined benefit other postemployment benefit (OPEB) plan. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

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

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

Employees Covered by Benefit Terms

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

Summary of Plan Participants As of June 30, 2018	
Active Employees	513
Retirees Receiving Benefits*	210
Retirees Not Receiving Benefits**	25
Total Active Employees and Retirees	748

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

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

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

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

Benefits Provided

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

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

2019 up to $168 per member per month. It is projected to increase to $183 per member per month in calendar year 2020.

Contribution Information

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

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

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

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

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

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

Total OPEB Liability

As of June 30, 2019, the state reported a total OPEB liability of $5.08 billion. The College's proportionate share of the total OPEB liability is $21,457,168. This liability was determined based on a measurement date of June 30, 2018.

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

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

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

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

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

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

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

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

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

Shoreline Community College		
Proportionate Share (%)		**0.4224988712%**
Service Cost	$	1,341,535
Interest Cost		922,298
Differences Between Expected and Actual Experience		841,879
Changes in Assumptions*		(5,873,044)
Changes of Benefit Terms		-
Benefit Payments		(389,534)
Changes in Proportionate Share		(364,772)
Other		-
Net Change in Total OPEB Liability		(3,521,638)
Total OPEB Liability - Beginning		24,978,806
Total OPEB Liability - Ending	**$**	**21,457,168**

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

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

Discount Rate Sensitivity		
1% Decrease	**Current Discount Rate**	**1% Increase**
$25,872,301	$21,457,168	$18,012,410

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

Health Care Cost Trend Rate Sensitivity		
1% Decrease	**Current Discount Rate**	**1% Increase**
$17,614,256	$21,457,168	$26,567,514

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

For the year ending June 30, 2019, the College will recognize OPEB expense of $1,222,148. OPEB expense consists of the following elements:

Shoreline Community College		
Proportionate Share (%)		**0.4224988712%**
Service Cost	$	1,341,535
Interest Cost		922,298
Amortization of Differences Between Expected and Actual Experience		93,542
Amortization of Changes in Assumptions		(1,076,200)
Changes of Benefit Terms		-
Amortization of Changes in Proportionate Share		(59,027)
Administrative Expenses		-
Total OPEB Expense		**1,222,148**

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

Shoreline Community College				
Proportionate Share (%)		**0.4224988712%**		
Deferred Inflows/Outflows of Resources		**Deferred Outflows**		**Deferred Inflows**
Difference between expected and actual experience	$	748,337	$	-
Changes in assumptions		-		8,185,964
Transactions subsequent to the measurement date		393,977		-
Changes in proportion		-		458,659
Total Deferred Inflows/Outflows	**$**	**1,142,314**	**$**	**8,644,623**

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

Shoreline Community College		
Proportionate Share (%)		**0.4224988712%**
2020	$	(1,041,685)
2021		(1,041,685)
2022		(1,041,685)
2023		(1,041,685)
2024		(1,041,685)
Thereafter		(2,687,861)
Total	**$**	**(7,896,286)**

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

Proportionate Share (%) 2017		**0.4287601618%**
Proportionate Share (%) 2018		**0.4224988712%**
Total OPEB Liability - Ending 2017	$	24,978,806
Total OPEB Liability - Beginning 2018		24,614,034
Total OPEB Liability Change in Proportion		(364,772)
Total Deferred Inflows/Outflows - 2017		(3,044,040)
Total Deferred Inflows/Outflows - 2018		(2,999,586)
Total Deferred Inflows/Outflows Change in Proportion		44,454
Total Change in Proportion	**$**	**(409,226)**

16. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Assets, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2019.

Expenses by Functional Classification	Amount
Instruction	$ 25,723,548
Academic Support Services	6,042,388
Student Services	9,106,453
Institutional Support	9,909,126
Operations and Maintenance	6,881,550
Auxiliary Operations	3,637,279
Scholarships and Other Student Financial Aid	3,569,535
Depreciation	1,606,256
Total Operation Expenses	$ 66,476,135

17. Commitments and Contingencies

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

In May 2018, the College entered into a contract for construction of the student housing for a total cost of $33,495,719. The remaining amount to be spent on this contract at June 30, 2019 was $10,226,318.

18. Subsequent Events

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

Consistent with the Governor's instructions, the College has implemented the Continuity of Operations Plan and converted classes to online delivery. At this time, enrollment has not been significantly affected (less than 1%) and classes are expected to continue using online delivery. However, the length of time these measures will be in place, and the full extent of the financial impact on the college is unknown at this time.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Shoreline Community College’s Proportionate Share of the Net Pension Liability:

Schedule of Shoreline Community College's Share of the Net Pension Liability Public Employees’ Retirement System (PERS) Plan 1 Measurement Date of June 30					
Fiscal Year	College’s proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College’s proportionate share of the net pension liability as a percentage of its covered payroll	Plan’s fiduciary net position as a percentage of the total pension liability
2014	0.066414%	$ 3,345,636	$ 6,914,574	48.39%	61.19%
2015	0.069392%	$ 3,629,847	$ 7,533,204	48.18%	59.10%
2016	0.070047%	$ 3,761,854	$ 8,073,538	46.59%	57.03%
2017	0.069726%	$ 3,308,562	$ 8,656,907	38.22%	61.24%
2018	0.067511%	$ 3,015,073	$ 8,817,033	34.20%	63.22%
2019					
2020					
2021					
2022					
2023					

Schedule of Shoreline Community College's Share of the Net Pension Liability Public Employees’ Retirement System (PERS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College’s proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College’s proportionate share of the net pension liability as a percentage of its covered payroll	Plan’s fiduciary net position as a percentage of the total pension liability
2014	0.076560%	$ 1,547,554	$ 6,569,967	23.55%	93.29%
2015	0.080669%	$ 2,882,350	$ 7,181,592	40.14%	89.20%
2016	0.083281%	$ 4,193,132	$ 7,818,752	53.63%	85.82%
2017	0.086878%	$ 3,018,604	$ 8,537,454	35.36%	90.97%
2018	0.083764%	$ 1,430,194	$ 8,695,089	16.45%	95.77%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Shoreline Community College's Proportionate Share of the Net Pension Liability:

Schedule of Shoreline Community College's Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1
Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.011971%	$ 353,079	$ 389,474	90.66%	68.77%
2015	0.013786%	$ 436,760	$ 591,281	73.87%	65.70%
2016	0.015050%	$ 513,843	$ 680,320	75.53%	62.07%
2017	0.013951%	$ 421,786	$ 692,744	60.89%	65.58%
2018	0.017334%	$ 506,265	$ 919,697	55.05%	66.52%
2019					
2020					
2021					
2022					
2023					

Schedule of Shoreline Community College's Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 2/3
Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.006100%	$ 19,702	$ 264,942	7.44%	96.81%
2015	0.010825%	$ 91,341	$ 512,971	17.81%	92.48%
2016	0.012058%	$ 165,592	$ 600,445	27.58%	88.72%
2017	0.011206%	$ 103,421	$ 612,822	16.88%	93.14%
2018	0.014659%	$ 65,982	$ 837,869	7.87%	96.88%
2019					
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Employer Contributions:

Schedule of Employer Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered–employee payroll
2014	$ 297,888	$ 297,888	$ -	$ 6,914,574	4.31%
2015	$ 320,322	$ 320,322	$ -	$ 7,533,204	4.25%
2016	$ 401,433	$ 401,433	$ -	$ 8,073,538	4.97%
2017	$ 420,595	$ 420,595	$ -	$ 8,656,907	4.86%
2018	$ 452,764	$ 452,764	$ -	$ 8,817,033	5.14%
2019	$ 463,674	$ 463,674	$ -	$ 8,885,282	5.22%
2020					
2021					
2022					
2023					

Schedule of Employer Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered–employee payroll
2014	$ 338,672	$ 338,672	$ -	$ 6,569,967	5.15%
2015	$ 373,487	$ 373,487	$ -	$ 7,181,592	5.20%
2016	$ 501,171	$ 501,171	$ -	$ 7,818,752	6.41%
2017	$ 547,251	$ 547,251	$ -	$ 8,537,454	6.41%
2018	$ 666,908	$ 666,908	$ -	$ 8,695,089	7.67%
2019	$ 658,651	$ 658,651	$ -	$ 8,762,233	7.52%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Employer Contributions:

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

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered–employee payroll
2014	$ 23,898	$ 23,898	$ -	$ 389,474	6.14%
2015	$ 31,309	$ 31,309	$ -	$ 591,281	5.30%
2016	$ 46,423	$ 46,423	$ -	$ 680,320	6.82%
2017	$ 48,590	$ 48,590	$ -	$ 692,744	7.01%
2018	$ 71,448	$ 71,448	$ -	$ 919,697	7.77%
2019	$ 87,260	$ 87,260	$ -	$ 1,102,764	7.91%
2020					
2021					
2022					
2023					

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

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered–employee payroll
2014	$ 15,798	$ 15,798	$ -	$ 264,942	5.96%
2015	$ 30,125	$ 30,125	$ -	$ 512,971	5.87%
2016	$ 40,733	$ 40,733	$ -	$ 600,445	6.78%
2017	$ 42,367	$ 42,367	$ -	$ 612,822	6.91%
2018	$ 65,872	$ 65,872	$ -	$ 837,869	7.86%
2019	$ 80,308	$ 80,308	$ -	$ 1,026,002	7.83%
2020					
2021					
2022					
2023					

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

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Total Pension Liability and Related Ratios Shoreline Community College Fiscal Year Ended June 30			
	2017	**2018**	**2019**
Total Pension Liability			
Service Cost	$ 186,101	$ 141,263	$ 101,420
Interest	120,724	129,820	122,677
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(870,419)	(383,961)	231,291
Changes of assumptions	(205,443)	(129,894)	434,892
Benefit payments	(30,988)	(47,986)	(64,676)
Changes in proportionate share of TPL	-	243,066	(117,186)
Other	-	-	-
Net Change in Total Pension Liability	**(800,025)**	**(47,692)**	**708,418**
Total Pension Liability - Beginning	**4,065,469**	**3,265,444**	**3,217,752**
Total Pension Liability - Ending	**$ 3,265,444**	**$ 3,217,752**	**$ 3,926,170**
College's Proportion of the Pension Liability	3.435501%	3.691225%	3.556796%
College's Covered payroll	$ 19,079,386	$ 20,777,044	$ 20,485,474
Total Pension Liability as a percentage of covered-employee payroll	17.115037%	15.487054%	19.165629%

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

Shoreline Community College

Other Postemployment Benefits Information

Schedule of Changes in the Total OPEB Liability and Related Ratios Shoreline Community College Fiscal Year Ended June 30		
Total OPEB Liability	**2018**	**2019**
Service Cost	$ 1,693,411	$ 1,341,535
Interest	793,204	922,298
Differences between expected and actual experience	-	841,879
Changes of assumptions	(3,869,263)	(5,873,044)
Changes of benefit terms	-	-
Benefit payments	(404,230)	(389,534)
Changes in proportionate share	(123,887)	(364,772)
Other	-	-
Net Change in Total OPEB Liability	**(1,910,765)**	**(3,521,638)**
Total OPEB Liability - Beginning	**26,889,571**	**24,978,806**
Total OPEB Liability - Ending	**$ 24,978,806**	**$ 21,457,168**
College's Proportion of the OPEB Liability	0.4287601618%	0.4224988712%
College's Covered payroll	$ 30,323,246	$ 30,198,245
Total OPEB Liability as a percentage of covered-employee payroll	82.375106%	71.054354%

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

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov