Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Shoreline Community College

For the period July 1, 2020 through June 30, 2021

Published July 11, 2022

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Office of the Washington State Auditor
Pat McCarthy

July 11, 2022

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Shoreline Community College
July 1, 2020 through June 30, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated June 23, 2022.

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 on the College's financial statements. This report includes our consideration of the result of the other auditors testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of 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 instances of reportable noncompliance associated with the Foundation.

REPORT ON 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) as a basis for designing 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 above 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 or significant deficiencies may exist that were not identified.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

June 23, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Shoreline Community College
July 1, 2020 through June 30, 2021

Board of Trustees
Shoreline Community College
Shoreline, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, 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.

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

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters 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 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, 2021, 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 16 to the financial statements, legislation created a trust arrangement for assets dedicated to paying the Higher Education Supplemental Retirement Plan benefits to plan members. As a result, the College transitioned to accounting for the plan in accordance with Governmental Accounting standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards*, includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 June 23, 2022 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 the effectiveness of the College's 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

Pat McCarthy, State Auditor

Olympia, WA

June 23, 2022

FINANCIAL SECTION

Shoreline Community College
July 1, 2020 through June 30, 2021

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College Statement of Revenues, Expenses and Changes in Net Position – 2021
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Management's Discussion and Analysis

Shoreline Community College

The objective of this Management Discussion and Analysis (MD&A) is to help readers of Shoreline Community College's financial statements better understand the financial position and operating activities for the year ended June 30, 2021 with comparative information for the year ended June 30, 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section. Unless otherwise stated, all years refer to the fiscal year ended June 30th.

The Shoreline Community College financial report communicates financial information for Shoreline Community College and its' discretely presented component unit, the Shoreline College Foundation. The College is an agency of the State of Washington, and the financial information contained in this report is included in the State of Washington's Comprehensive Annual Financial Report (CAFR) for 2021.

Reporting Entity

Shoreline Community College is one of 34 public institutions of higher education in the State of Washington overseen by the State Board for Community and Technical Colleges (SBCTC). The College is governed by a Board of five Trustees, which has broad responsibilities to supervise, coordinate, manage and regulate the College as provided by state law. Trustees are appointed by the Governor for a term of five years, with consent of the Senate.

The College offers associate degrees, high school diplomas and certificates in a variety of programs.

The College was established in 1964 and serves over 12,000 full-time and part-time students per academic quarter. The College's campus is in the city of Shoreline and serves north King and south Snohomish counties with a population of over 250,000.

Using the Financial Statements

The College reports as a special purpose government, engaged in business-type activities as defined by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – Management's Discussion and Analysis – for Public Colleges and Universities*, as amended. Under this model, the financial report includes three financial statements, the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted accounting standard setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* requires a college to report an organization that raises and holds economic resources for the direct benefit of a government unit. Under this requirement, the Shoreline College Foundation is a component unit of the College and their financial statements are discretely presented into this financial report.

COVID-19

The COVID-19 pandemic has had widespread impacts on societal and economic conditions at a local, national, and global level, and has had a significant impact on the College's operations. In February 2020, the Governor of the state of Washington declared a state of emergency to ensure the swift deployment of resources necessary to address coronavirus in Washington and the forecasted potential surge of COVID-19 patients. In March 2020, then President Trump declared a national state of emergency with respect to the COVID-19 outbreak, ordering all states to establish emergency operations and authorizing the use of federal funds. Both the national state of emergency and the Washington state of emergency continued throughout fiscal year 2021. Mandates from the Governor between March and May 2020 required the cancellation or postponement of all non-emergent and elective clinical procedures. The Governor's "Stay Home, Stay Healthy" proclamation required individuals to stay home except for essential activities. As a result, College courses shifted to remote instruction and remained remote throughout the rest of the 2021 academic year except for specific exceptions. Online course delivery resulted in many students opting to discontinue living on campus, impacting the College's residential operations.

CARES Act HEERF

Under the CARES Act, the College became eligible for approximately $15.3 million in grant funding from various phases of the Higher Education Emergency Relief Fund (HEERF). Approximately $6.6 million was to assist eligible students impacted by on-campus financial disruption (student aid portion) with $8.7 million used to cover costs associated with significant changes to the delivery of instruction (institutional portion) due to COVID-19. The largest recipient of the institutional support funds has been recovery of lost tuition revenues and the College's Housing operation, to cover expenditures that would otherwise have been funded by housing revenues which were impacted by the pandemic. These distributions have been recognized as "other nonoperating revenues" on the Statements of Revenues, Expenses and Changes in Net Position.

The College's Financial Position

The statement of net position provides information about the College's financial position at the end of the fiscal year. It displays all the College's assets, deferred outflows, liabilities, and deferred inflows. The difference between assets, deferred outflows, liabilities, and deferred inflows is net position.

A condensed comparison of the Statements of Net Position as of June 30, 2021 and 2020, follows:

Condensed Statements of Net Position

As of June 30 (Dollars in thousands)	2021	2020
ASSETS		
Current assets	$ 36,242	$ 30,312
Capital assets	69,815	69,590
Other non-current assets	160	1,172
Total assets	106,217	101,074
DEFERRED OUTFLOWS	5,873	5,908
LIABILITIES		
Current liabilities	10,213	14,568
Non-current liabilities	64,499	69,551
Total liabilities	74,712	84,119
DEFERRED INFLOWS	12,900	11,785
NET POSITION	$ 24,478	$ 11,078

Current assets consist mainly of cash and accounts receivable. The $5.9 million increase from 2020 to 2021 was the result of the increase in the amount of receivables from the Office of State Treasurer (OST), in the amount of $4.5 million and $4.4 million in other receivables, along with a decrease in cash of cash equivalents of $4 million. Because of uncertainty in the amount of expected operating appropriations cuts as a result of the COVID-19 Pandemic, the College was waiting for guidance on the exact amount of cuts were known, but the expected level of appropriation cuts never materialized, which were not known until late in the fiscal year, resulting in spending late in the fiscal year, which resulted in associated OST receivables. For other receivables, the increase was entirely driven by higher amounts due from the Federal government for funding received by the U.S. Department of Education from CARES funding (COVID-19), which was recorded late in the fiscal year, with the funds actually received subsequent to year-end. The cash reduction was because up until late in the fiscal year, the College used local monies to pay operating expenses.

Capital assets increased modestly, as the amount of capital additions was slightly more than depreciation expenses. The College recorded $2.3 million in depreciation expense in 2021 on its capital assets. More information on the College's capital assets can be found in note 7 to the financial statements. Deferred outflows had a small decrease.

Current liabilities include accounts payable, accrued payroll current portions of long-term debt and unearned revenues, which current liabilities decreased by more than $4.3 million, this change was driven by deceases in accounts payable and accrued expenses, e.g. the College had a $2 million traffic mitigation liability recorded in 2020 with the city of Shoreline, which was paid in 2021 and another portion of this decrease was unearned revenues, which decreased by more than $1.2 million, the result of lower enrollment numbers year-over year and student uncertainty in earlier enrolling of classes for the next academic year, summer and fall quarters 2021.

Non-current liabilities decreased by $5 million, a result of a $4 million decrease in the College's share of the State Board Retirement Plan (SBRP) because starting in 2021, had a fiduciary net position applied against the pension liability, resulting in the decrease in the liability, and the reduction of long-term debt balance because of debt principal payments made of $1.6 million in 2021. The increase in deferred outflows were the result of the SBRP, which was discussed previously in this paragraph.

Net position represents the difference between 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 reports its net position in three categories:

Investment in capital assets – The College's total investment in property, plant and equipment, net of accumulated depreciation and outstanding debt attached to its capital assets.

Restricted net position:

Expendable – Includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions placed by the donor or external parties.

Non-Expendable – Includes resources in which the donor or other external party has imposed the restriction that the corpus is not available for expenditures but for investment purposes only.

Unrestricted net position – These represent all the other resources available to the College for general and educational obligations to meet expenses for any lawful purpose. Unrestricted net position is not subject to externally imposed stipulations; however, the College has designated most of the unrestricted net position for various academic and support functions.

Condensed Net Position

As of June 30 (Dollars in thousands)	2021	2020
Investment in capital assets	$ 33,425	$ 31,792
Restricted:		
Non-Expendable	3	3
Expendable	631	697

Unrestricted	(9,581)	(21,414)
Total Net Position	$ 24,478	$ 11,078

The primary reason for the increase in overall net position of $13.4 million was higher than expected state operating appropriations of $2.6 million realized in 2021, as the expected reductions did not materialize to the extent expected, along with higher capital operating appropriations of $1.2 million as the College fully spent down it biennial 1921 capital appropriations by June 30, 2021, in addition to this, there was higher Federal funding from the CARES act, an increase of $8.8 million in 2021 as compared to 1920. The CARES funding is one-time funding as is expected to be fully spent in calendar year 2022, but for 2021, the College used the funding to recover lost tuition revenues from lower enrollment. The decrease in enrollment for 2021, resulted in lower occupancy rates for the College resident housing, which translated into lower housing revenues, requiring CARES revenues be used to make debt service payments on the housing debt. On the expense side, salaries and wages were lower by $1 million in 2021, the result of staffing reductions, but the largest decrease came from employee benefits expense of $2.6 million, a modest amount can be attributed based on the lower salary and wage expense of $1 million from 1920 to 2021, but the primary reason was the $2.2 million reduction of expenses from 1920 to 2021, because of changes for the SBRP pension liability, along with the OPEB liability.

Statements of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position provides information about the details of the changes in the net position of the College. The statement classifies revenues and expenses as either operating or non-operating. Generally, operating revenues are revenues that are earned by the College in exchange for providing goods or services. Operating expenses are defined as expenses incurred in the normal operation of the College, including a provision for the depreciation of property and equipment assets. The difference between the operating revenues and operating expenses, will always result in an operating loss since the College's state operating appropriations, and Federal Pell grant revenues are shown as non-operating revenues as required by the GASB.

A summary of the College's Statements of Revenue, Expenses and Changes in Net Position for the years ended June 30, 2021 and 2020, follows:

Condensed Statements of Revenues, Expenses and Changes in Net Position

For the years ended June 30 (dollars in thousands)	2021	2020
Operating revenues	$ 32,114	$ 35,149
Operating expenses	63,201	68,862
Net operating loss	(31,087)	(33,713)
Non-operating revenues	44,371	33,951
Non-operating expenses	3,315	5,241
Income (Loss) before capital appropriations	9,969	(5,003)
Capital appropriations	3,431	2,171
Increase (decrease) in net position	13,400	(2,832)
Net position, beginning of year	11,078	13,910
Net position, end of year	$ 24,478	$ 11,078

Management's Discussion and Analysis

Operating and Non-Operating Revenues

State operating appropriations, tuition, and fees (net of scholarship discounts and allowances), and grants and contracts, are the primary sources for funding the College's academic programs.

The following table shows a comparison of operating and non-operating revenues for years ended June 30, 2021 and 2020:

Revenues by Source

For the years ended June 30 (dollars in thousands)	2021	2020
Operating		
Student tuition and fees, net	$ 21,354	$ 23,434
Grants & contracts	10,120	9,975
Auxiliary enterprise sales, net	594	1,666
Other revenues	46	69
Interest on loans	-	4
Non-operating		
State operating appropriations	31,451	28,854
Capital appropriations	3,431	2,171
Grants & contracts	12,919	5,047
Investment income	1	50
Total revenues	$ 79,916	$ 71,270

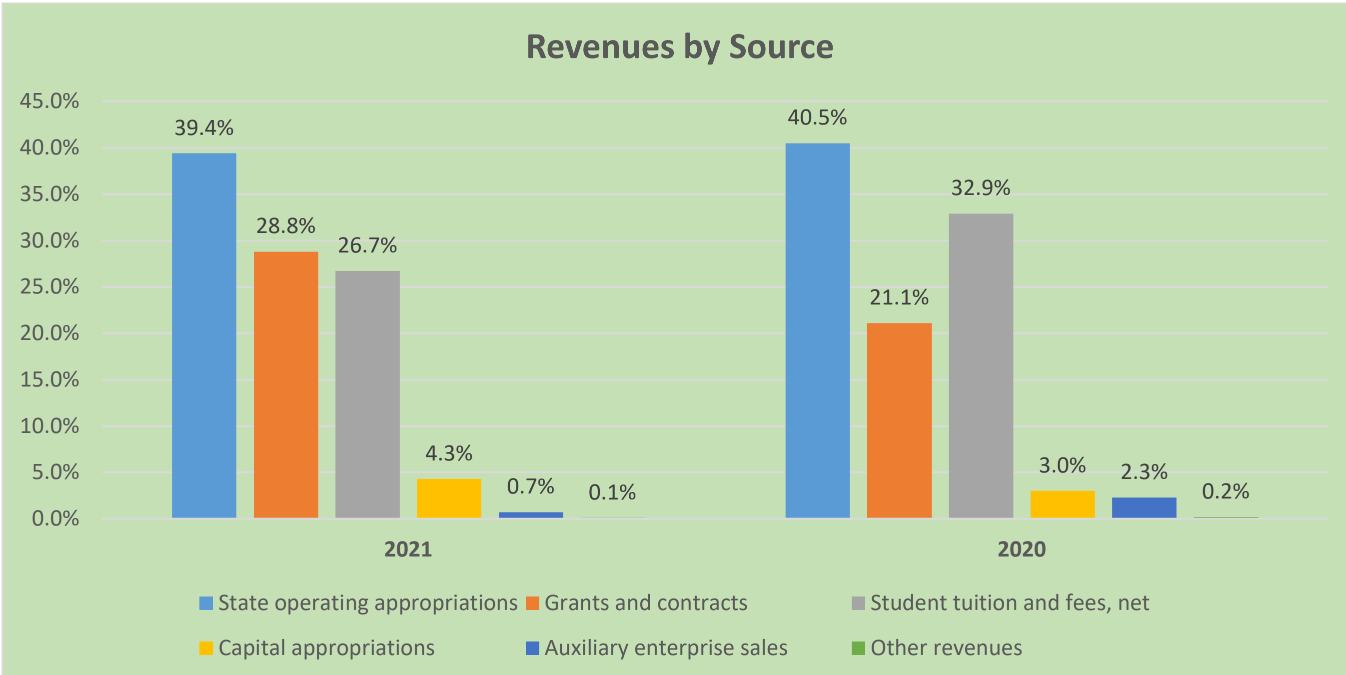
State operating appropriations increased by $2.6 million due to higher-than-expected operating appropriations. State capital appropriations were higher by $1.2 million in 2021, this is common for the last year of a biennium as typically, Colleges spend down capital appropriations on the final year of a biennium (1921), as capital appropriations do not always get re-appropriated in the next biennium, so institution spends all their available appropriation or risk losing them in the new biennium. The College also received HEERF CARES Act funding from the Federal government starting in 2020, the result of COVID 19, and spent about $9.3 million of this funding in 2021, compared to just $500,000 in 2020.

The following illustration showing revenue by source, both operating and non-operating used to fund the College's programs for the years ended June 30, 2021, and 2020 in percentage terms.

Revenues by Source

For the years ended June 30 (dollars in thousands)

	2021	Percentage	2020	Percentage
State operating appropriations	$ 31,451	39.4%	$ 28,854	40.5%
Grants & contracts	23,038	28.8%	15,022	21.1%
Student tuition and fees, net	21,354	26.7%	23,434	32.9%
Capital appropriations	3,431	4.3%	2,171	3.0%
Auxiliary enterprise sales, net	594	0.7%	1,666	2.3%
Other revenues	48	0.1%	123	0.2%
Total	$ 79,916	100.0%	$ 71,270	100.0%



Operating Expenses

Operating expenses decreased by $5.6 million in 2021. This decreased was driven by 1) decrease in labor and employee benefits cost of $3.6 million, and a full year of experiencing COVID-19 environment, where the College was operating primarily remotely, thus decrease many categories of costs, ranging from utilities, supplies, and materials, purchased services and travel.

The College has non-operating expenses, comprised of tuition remittances, which are about $1.8 million per year, but interest expense increased by $170,000 in 2021. In 2020, the College settle a traffic mitigation issue with the city of Shoreline Washington for $2.1 million. Operating expenses, for 2021 and 2020 are noted below, by natural classification, followed by a bar chart that shows the comparative percentages:

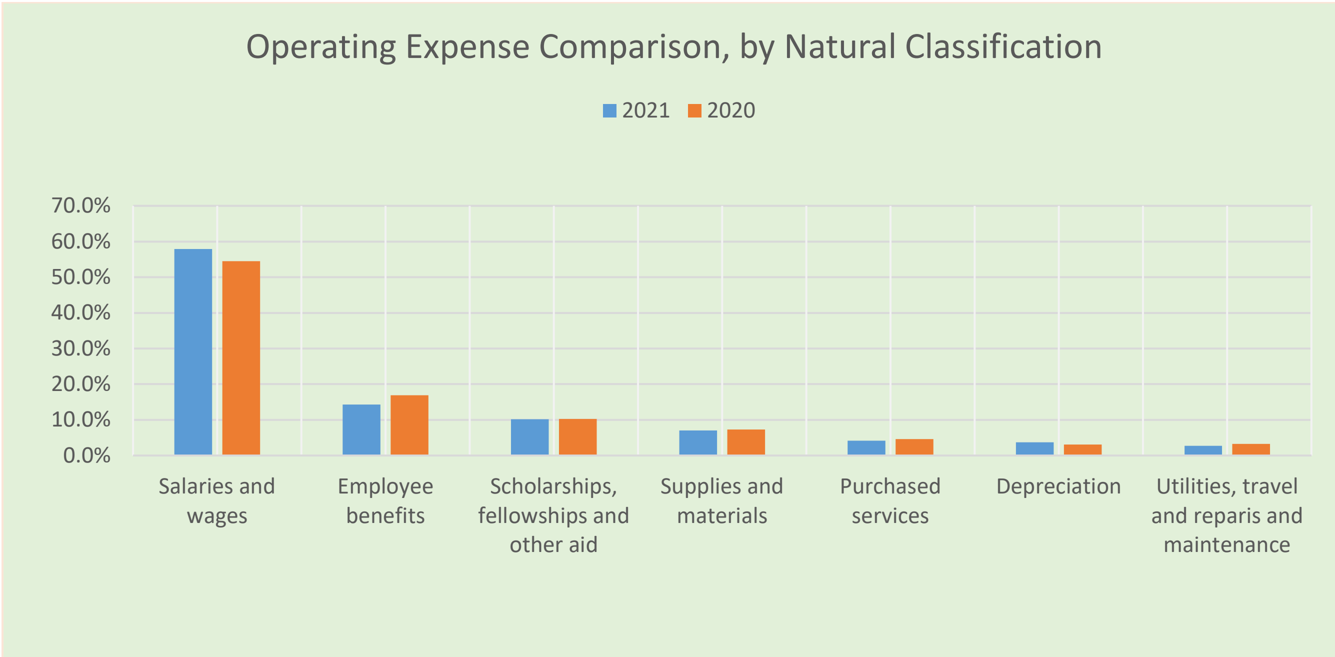
Operating Expenses

For the years ended June 30 (dollars in thousands)

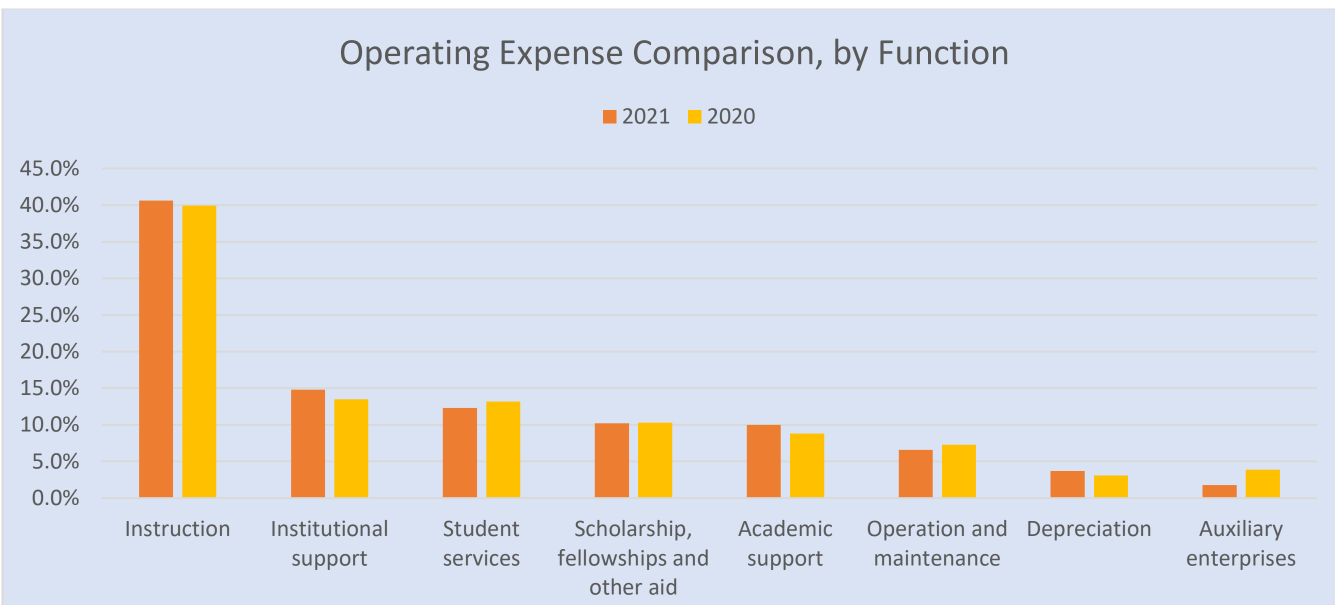
	2021	Percentage	2020	Percentage
Salaries and wages	$ 36,561	57.9%	$ 37,528	54.5%
Employee benefits	9,057	14.3%	11,626	16.9%
Scholarships, fellowships, and other aid	6,478	10.2%	7,082	10.3%
Supplies and materials	4,404	7.0%	5,030	7.3%
Purchased services	2,643	4.2%	3,184	4.6%
Depreciation	2,318	3.7%	2,159	3.1%
Utilities	1,106	1.7%	1,332	2.0%
Travel	368	0.6%	769	1.1%
Repairs and maintenance	266	0.4%	151	0.2%
Total operating expenses	$ 63,201	100.0%	$ 68,861	100.0%

Management's Discussion and Analysis

Salaries and wages, employee benefits, and scholarships, fellowships and other aid are the major support cost for the College's programs, followed by supplies and materials.



The following chart shows functional reporting of expenses, in percentage terms, for 2021 and 2020.



Capital Improvements

The College spent $2.5 million for capital-related purposes in 2021, primarily for design for a new health and science building. For the next biennium, 2123, the College is expected to spend $49.8 million on the construction for this new health sciences building, which will include estimated local fund raising of $3 million and the issuing of $3.1 million of debt. On the incursion of debt, the College, working with the Office of the State Treasurer (TRE), sold a bond in the amount of $3.128 million on November 17, 2021 as part the funding for the new health sciences building. Lastly, in the 2123 biennium, the College received $3 million of state funding for the design of a new education (STEAM) building.

Financial Summary and Economic Factors That May Affect the Future

The state of Washington, which provided approximately 44% of the College's total revenues in fiscal year 2021, began to see signs of economic recovery in state tax collections after several 2020 revenue forecasts predicted significant declines in state revenue due to the COVID-19 pandemic. In recent biennia, growth in state tax collections and new revenue have largely been consumed by court mandated increases to K-12 education funding (McCleary v. Washington). As part of the 2019-21 compromise budget package, which was passed during the 2019 legislative session and is effective for fiscal years 2020 and 2021, the legislature approved HB 2158, which created a dedicated source of funding for higher education through an increase to Business and Occupation (B&O) taxes on professional services. In addition to funding foundational support allocations to public colleges and universities, this revenue maintained the legislature's commitment to fully fund the Washington College Grant program (previously the State Need Grant program). During the 2021 legislative session, the state passed a budget for the 2021-23 biennium (effective for fiscal years 2022 and 2023). State revenue forecasts leading up to the start of the 2021 session projected significant deficits because of the COVID-19 pandemic. Because of this, the Community and Technical College (CTC) System was asked to provide the Governor's Office of Financial Management a response to an exercise modeling a 15% reduction to state operating appropriations to the College. Fortunately, a 15% reduction was avoided due to improvements in revenue projections.

The College's fiscal year 2022 general operating appropriation from the state currently totals almost $30.8 million. This amount is an increase from approximately $30.5 (excludes SBCTC System IT and Central Service cost allocations). During the 2015-17 biennium, the state approved a new tuition policy that reduced resident undergraduate tuition rates to 5% below the 2015 rates in 2016, and to 15% below the 2015 rates in 2017. The state provided funds to offset the lost tuition revenue in both years. The same tuition policy allowed for future increases tied to a rolling average of median hourly wage in the state. Under this current policy, the state has allowed resident undergraduate tuition to increase by 2%-2.8% in each year. While the legislature can always modify its policy, it has so far chosen to maintain it through the 2021-23 biennium. The College's current expectation is that resident undergraduate tuition increases will continue to be limited to approximately 2%-3% each year for the near future.

The College's Housing operation has seen promising increases in occupancy for 2022 of 75%, compared to an occupancy rate of approximately 35% in 2021. An occupancy rate of more than 90% is required to fund its annual $2.1 million of debt service.

Statement of Net Position

June 30, 2021

Assets	
Current Assets	
Cash and cash equivalents	$ 18,260,791
Due from State Treasurer	7,809,491
Accounts receivable, net	10,118,205
Student loans receivable, net	18,457
Interest receivable	6,676
Inventories	28,107
Total current assets	36,241,727
Non-Current Assets	
Student loans receivable, net	160,488
Land and construction in progress	5,972,017
Capital assets, net of depreciation	63,842,871
Total non-current assets	69,975,376
Total Assets	106,217,103
Deferred Outflows	
Deferred outflows related to pensions	3,386,820
Deferred outflows related to OPEB	2,486,374
	5,873,194
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	2,654,762
Compensated absences	1,781,385
Unamortized bond premium	180,363
Total OPEB liability	403,852
Certificates of Participation	1,592,757
Net pension liability	67,248
Unearned revenues	3,195,343
Vendor Payment Advance	337,800
Total current liabilities	10,213,510
Non-Current Liabilities	
Compensated absences	2,098,302
Total OPEB liability	22,556,255
Certificates of Participation	30,844,340
Unamortized bond premium	3,772,591
Net pension liability	5,227,429
Total non-current liabilities	64,498,917
Total Liabilities	74,712,427
Deferred Inflows	
Deferred inflows related to pensions	4,630,397
Deferred inflows related to OPEB	8,269,134
	12,899,531
Net Position	
Net investment in capital assets	33,424,837
Restricted non-expendable	3,009
Restricted expendable	630,965
Unrestricted (deficit)	(9,580,472)
Total Net Position	$ 24,478,339

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

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2021

Operating Revenues		
Student tuition and fees, net of scholarships allowance	$	21,354,058
State and local grant and contracts		9,628,694
Auxiliary enterprise sales		594,230
Federal grants and contracts		490,253
Other operating revenues		46,386
Interest on loans to students		147
Total operating revenue		32,113,768
Operating Expenses		
Salaries and wages		36,561,377
Employee benefits		9,057,099
Scholarships, fellowships, and other aid		6,477,906
Supplies and materials		4,403,382
Purchased services		2,642,995
Depreciation		2,317,566
Utilities		1,106,315
Travel and training		367,729
Repairs and maintenance		266,234
Total operating expenses		63,200,603
Operating loss		(31,086,835)
Non-Operating Revenues (Expenses)		
State operating appropriations		31,450,958
Federal Pell grant revenue		3,630,678
HEERF CARES Act revenue		9,288,294
Investment income		1,487
Interest expense		(1,506,321)
Building and Innovation tuition remittance		(1,808,472)
Net non-operating revenues		41,056,624
Gain before capital appropriations		9,969,789
Capital appropriations		3,431,045
Increase in net position		13,400,834
Net Position		
Net position, beginning of year		11,077,505
Net position, end of year	$	24,478,339

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

Statement of Cash Flows

For the Year Ended June 30, 2021

Cash Flows From Operating Activities	
Student tuition and fees	$ 25,063,032
Grants and contracts	11,206,689
Collection of loans issued to students	2,496,828
Collection of insurance premiums from students	897,364
Auxiliary enterprise sales	629,223
Other revenues	46,533
Payments for employee wages and benefits	(47,507,574)
Payments to vendors	(10,135,245)
Payments for scholarships and fellowship	(10,291,309)
Loans issued to students	(2,476,566)
Insurance premiums paid on behalf of students	(897,670)
Net cash used by operating activities	(30,968,695)
Cash Flows From Noncapital Financing Activities	
State appropriations	28,841,638
Federal Pell/HEERF grant receipts	4,762,270
Traffic mitigation	(2,083,000)
Tuition remittance to the State	(1,948,000)
Net cash provided by noncapital financing activities	29,572,908
Cash Flows From Capital Related Financing Activities	
Proceeds from certificate of participation	1,528,328
Capital appropriations	679,050
Principal paid on debt	(1,510,703)
Interest earned	1,487
Interest paid	(1,686,684)
Purchase of capital assets	(2,542,532)
Net cash used by capital related financing activities	(3,531,054)
Cash Flows From Investing Activities	-
Decrease in Cash and Cash Equivalents	(4,926,841)
Cash and Cash Equivalents, Beginning of Year	23,187,632
Cash and Cash Equivalents, End of Year	$ 18,260,791

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

Reconciliation of Operating Loss to Net Cash used by Operating Activities		
Operating Loss	$	(31,086,835)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense		2,317,566
Changes in assets, liabilities, and deferrals		
Accounts payable and accrued expenses		(1,280,055)
Accounts receivable, net		2,255,485
Compensated absences		577,243
Pension and OPEB adjustments		(2,534,876)
Student loans, net		11,642
Unearned revenues		(1,228,865)
Net cash used by operating activities	$	(30,968,695)
Supplemental Non-Cash Activities Information:		
Change in Due from State Treasurer (Capital related)	$	1,649,970
Write-off of depreciated capital assets (Capital related)		9,179
Change in Due from State Treasurer (Noncapital related)		2,567,756
Change in Due to State Treasurer (Noncapital related)		3,473
Change in Due to State Treasurer (Capital related)		13,189

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

Statement of Financial Position

(Component Unit) — *June 30, 2021*

ASSETS		
Current assets		
Cash and cash equivalents	$	587,711
Contract receivable - Trajal		273,103
Current portion of promises to give		335,608
Total current assets		1,196,422
Other assets		
Promises to give, net of current portion		379,526
Long-term investments		5,701,595
Equipment, net		9,270
Total other assets		6,090,391
Total Assets	$	7,286,813
LIABILITIES AND NET ASSETS		
Current liabilities		
Related party payable - College	$	69,284
Contract payable - College		113,823
Contract liability		161,280
Total current liabilities		344,387
Net Assets		
Without donor restrictions		1,485,106
With donor restrictions		5,457,320
Total net assets		6,942,426
Total Liabilities and Net Assets	$	7,286,813

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

Statement of Activities and Changes in Net Assets

(Component Unit) ***Year Ended June 30, 2021***

	Without Donor Restrictions	With Donor Restricted	Total
Revenues, gains, and other support			
Contributions	$ 46,968	$ 656,001	$ 702,969
In-kind contributions	262,130	22,641	284,771
Special events revenue	20	47,283	47,303
Contracts revenue	66,717	-	66,717
Other income	3,809	27	3,836
Net investment return	237,846	764,254	1,002,100
Net assets released from restriction	444,082	(444,082)	-
Total revenues, gains, and other support	1,061,572	1,046,124	2,107,696
Expenses			
Program services			
Scholarships	218,471	-	218,471
College program support	251,659	-	251,659
Other program expenses	127,964	-	127,964
Total program services	598,094	-	598,094
Support services		-	-
Administration	150,289	-	150,289
Fundraising	30,796	-	30,796
Total support services	181,085	-	181,085
Total Expenses	779,179	-	779,179
Change in net assets	282,393	1,046,124	1,328,517
Net assets, beginning of year	1,202,713	4,411,196	5,613,909
Net assets, end of year	$ 1,485,106	$ 5,457,320	$ 6,942,426

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

Note 1. Summary of Significant Accounting Policies

Financial Reporting Entity

Shoreline Community College ("College") is a comprehensive community college offering open-door academic transfers, workforce education and basic skill programs as well as community service and continuing education courses. The College confers associate degrees, certificates, and high school diplomas. The College is an agency of the State of Washington and is governed by a five-member Board of Trustees appointed by the Governor with consent by the state Senate.

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

Financial Statement Presentation

The financial statements of the College as of, and for the year ending June 30, 2021 have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted accounting standard setting body for establishing governmental accounting and financial reporting principles, the financial reporting entity consists of the primary government, as well as its component unit, the Shoreline Community College Foundation (Foundation) which is discretely present in these financial statements under GASBS No. 39 reporting requirements.

The Foundation is a legally separate, tax-exempt entity. Based on their inter-relationship, the College and the Foundation have a number of transactions with each other during the year. Under a formal agreement between the College and Foundation, the College provides printing, postage, office space, staff services and supplies, while the Foundation provides fundraising and financial services.

The Foundation distributed approximately $189,725 to the College for restricted and unrestricted purposes in 2021. Inter-entity transactions and balances between the College and Foundation are not eliminated for financial statement presentation purposes.

The Foundation reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 and as such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

The Foundation's financial statements can be obtained by contacting the Foundation at (206) 546-4755.

Basis of Accounting

For financial reporting purposes, the College is considered a special purpose government entity engaged in business type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

The College reports net investment in capital assets in the Statement of Net Position, and reports depreciation expense in the Statement of Revenues, Expenses and Changes in Net Position.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity date of 90 days or less to be cash equivalents. Funds invested through the State Treasurer's Local

Government Investment Pool are also considered cash equivalents. Cash and cash equivalents that are restricted and unable to use in the current operating period are classified as non-current assets.

Inventories

Inventories consist of merchandise and consumable held by auxiliary departments. Inventories are valued at cost, using the First-in First-out (FIFO) valuation method.

Accounts Receivable

Account receivables consists of student tuition and fees and other charges for services provided to students, faculty, and staff. Accounts receivable also includes amounts due from federal, state, and local governments or private sources in connection with reimbursements of allowable expenses made in accordance with sponsored agreements and includes a provision of an amount estimated by management deemed as uncollectible.

Capital Assets

Land, buildings, equipment, and library resources are stated at cost or, if acquired by gift, at acquisition value. Additions, replacements, major repairs, and renovations are also capitalized.

The capitalization threshold is $5,000 or greater for equipment and library resources, $100,000 or greater for infrastructure, buildings, and improvements other than buildings, and $1 million for intangibles. Land is capitalized regardless of cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and improvements other than buildings.

Unearned Revenue

Unearned revenue occurs when funds have been collected in advance of an event, such as summer and fall quarter tuition revenue, and unspent cash advances on certain grants.

Compensated Absences

College employees accrue annual leave at rates based on employment status and length of service and sick leave at the rate of one day (8 hours) per month for full-time employees with both recorded as liabilities. Employees are entitled to either 25% of the present value of his/her unused sick leave balance on retirement or 25% of his/her net accumulation for the year in which it exceeds 480 hours.

Scholarship Discounts and Allowances

Student tuition and fee revenue, and auxiliary revenues received from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charges for goods and services charged by the College, and the amount that is paid by the students and/or third parties on the students' behalf. Certain government grants, e.g., Federal Pell grant, State Need grant and other revenues are recorded as either operating or non-operating revenues from these programs in the College's financial statement. To the extent that revenues from these programs are used to pay tuition, fees and other student charges, the College has recorded a scholarship discount and allowance. Scholarships, discounts, and allowances for the year ended June 30, 2021 were $3,793,447.

State Appropriations

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

Use of Estimates

Allowances for uncollectible accounts are estimated based on aging and historical data on collection of various receivables. Actual results could differ from these estimates, though the College believes these allowances are adequate.

Operating Revenues and Expenses

Operating revenues consist of tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Operating expenses include salaries, wages, fringe benefits, scholarships and fellowships, utilities, supplies, materials, purchased services and depreciation. All other revenues and expenses of the College are reported as non-operating revenues and expenses including state appropriations, Federal Pell grant revenues, investment income and tuition remittance.

Tuition Remittance

A portion of every tuition dollar collected by the College is remitted to the Washington State Treasurer to be held and appropriated in two different funds. The tuition remittance is used to fund 1) the Community and Technical College's Capital Projects "Building" Fund "060" and 2) the Community and Technical College's "Innovation" Fund "561". Fund 060 is used to fund capital projects for the community and technical college system, while fund 561 is used to fund technological upgrades and enhancements to the community and technical college system. In 2021, the College collected $1,468,927 and $339,545 for funds 060 and 561, respectively, for a total of $1,808,472. These remittances are reported in the non-operating revenues and expenses section of the statements of revenues, expenses, and changes in net position.

Due to/from State Treasurer

Amounts due from the state treasurer are for reimbursements owed the College for spending on state operating and capital appropriations. Amounts due to state treasurer represent amounts owed for tuition remittance collected by the College, but not yet paid to the state treasurer.

Net Pension Liability

The College records an aggregate pension liability equal to the net pension liabilities for its 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.

Other Post-Employment Benefits Other Than Pensions (OPEB) Liability

The total OPEB liability is measured as the College's proportionate share of the state of Washington's total OPEB liability, with proportionate share 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. There are no assets backing this liability.

Deferred Outflows/Deferred Inflows

Deferred outflows represent a consumption of net position by the College that is applicable to future reporting periods. Deferred inflows represent an acquisition of net position by the College that is applicable to future reporting periods. All the deferred inflows and outflows are associated with either the College's pension and retirement plans, or post-employment benefits other than pension.

Net Position

The College reports net position in the following categories:

Net investment in capital assets – The College's total investment in property, plant and equipment, net of accumulated depreciation and any outstanding debt related to those capital assets.

Restricted for Nonexpendable – Consists of endowments and similar type funds for which donors or other outside sources have stipulated as a condition of the gift, that the principal be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may be expended or added to the with restrictions placed by the donor or external parties.

Restricted for Expendable – Restricted expendable include resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position – Unrestricted represent resources derived from student tuition and fees, State appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet expenses. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide goods and service for students, faculty, and staff.

Tax Exemption

The College is a tax-exempt organization under Section 115 (1) of the Internal Revenue Code and is exempt from federal income taxes on related income. The Foundation is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

Change in Accounting Estimate

The State Board Retirement Plan (SBRP) was created for the SBCTC, the 34 community and technical colleges in the state of Washington, and the Student Achievement Council, is a tax deferred multiple employers defined contribution plan which covers most faculty, professional and exempt staff. Due to changes in legislation, assets from the SBRP plan that were previously not administered through a trust, was placed into a trust or similar arrangements. As a result, the SBRP previously reported under GASB Statement No. 73, is now reported under GASB Statement No. 68. This change results in the SBRP reporting a net pension liability for 2021, where prior to 2021, a total pension liability was reported. This change is effective for fiscal year 2021.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities, effective for the College's fiscal year beginning July 1, 2020. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or an equivalent arrangement that meets specific criteria.

The College has evaluated the effect Statement No. 84 has on its financial statements and has determined that the provisions of this statement are not be applicable to the College based on paragraph 19 of Statement No. 84, as management has concluded that custodial assets received are normally held three months or less.

Violations

The College does not have any material violations of finance-related legal or contractual provisions.

Note 2. Component Unit

The Shoreline Community College Foundation ("Foundation") is considered a legally separate component unit of the College and is discretely presented in the College's financial statements. The Foundation reports information on its financial position and activities according to the following two classes of net assets:

> **Net assets without donor restrictions** – Net assets not subject to donor-imposed stipulations, and are available for general operations, including certain amounts designated by the Board of Directors.
>
> **Net assets with donor restrictions** – Net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that funds be maintained in perpetuity.

The Foundation's financial statements can be obtained by contacting the Foundation at (206) 546-4755.

Note 3. Deposits

Deposits are comprised of cash and cash equivalents and includes bank demand deposits and petty cash held at the College.

Custodial Credit Risk - 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 the College's demand deposits are with U.S. Bank which total $18,256,916. 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).

Deposits at year-end consists of the following:

	June 30, 2021
Petty and change funds	$ 3,875
Bank demand	18,256,916
	$ 18,260,791

Note 4. Accounts Receivable

Accounts receivable for 2021 consists of the following:

	June 30, 2021
Federal, state, local and private grants	$ 8,246,282
Student tuition and fees	2,095,602

Subtotal		10,341,884
Less allowance for uncollectible accounts		(223,679)
Accounts receivable, net	$	10,118,205

Note 5. Student Loans Receivable

Student loans consists primarily of loans to nursing students:

	June 30, 2021	
Student loans receivable	$	194,352
Less allowance for uncollectible accounts		(15,407)
Student loans receivable, net	$	178,945

Note 6. Inventories

Inventories for the College includes both merchandise and consumable inventories, stated at cost using the first-in, first-out (FIFO) method consists of the following:

	June 30, 2021	
Merchandise	$	25,304
Consumable		2,803
	$	28,107

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2021 is summarized as follows:

	June 30, 2020	Additions	Retirements	June 30, 2021
Non-depreciable Capital Assets				
Land	$ 532,583	$ -	$ -	$ 532,583
Construction in progress	3,147,940	2,291,494	-	5,439,434
Total non-depreciable assets	3,680,523	2,291,494	-	5,972,017
Depreciable Capital Assets				
Buildings	89,891,500	-	-	89,891,500
Improvements other than buildings	2,336,330	-	-	2,336,330
Furniture, fixtures, and equipment	7,317,048	237,674	9,179	7,545,543
Library resources	208,668	13,364	-	222,032
Total depreciable assets	99,753,546	251,038	9,179	99,995,405
Accumulated Depreciation				
Buildings	28,145,617	1,651,903	-	29,797,520
Improvements other than buildings	83,683	93,453	-	177,136
Furniture, fixtures, and equipment	5,503,699	546,422	9,179	6,040,942
Library resources	111,148	25,788	-	136,936
Total accumulated depreciation	33,844,147	2,317,566	9,179	36,152,534

Capital Assets, Net of Depreciation	$ 69,589,922	$ 224,966	$ -	$ 69,814,888

The College recorded depreciation expense of $2,317,566 for the year ending June 30, 2021.

Note 8. Compensated Absences

Accrued leave balances as of June 30, 2021 totaled $3,879,687. This consists of unused vacation leave earned by exempt and classified staff in the amount of $1,781,385. Unused sick leave earned by faculty, exempt and classified staff totaled $2,098,302. For financial reporting purposes, the College considers unused vacation leave as a current liability and the unused sick leave to be a non-current liability.

At termination of employment, employees may receive a cash payment for all accumulated vacation and compensatory time, except for administrative exempt employees, who are limited to 280 hours cash out of vacation leave. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which may be used for future medical expenses and insurance purposes. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. Additional information on net pension liabilities can be found in Note 15 to these financial statements.

Note 9. Lease Obligations

The College leases copiers, printers, and facilities under a variety of agreements and non-cancelable operating leases. On June 30, 2021, the future minimum payments under these lease agreements are as follows:

Year	Amount
2022	$ 70,774
2023	68,421
2024	56,669
	$ 195,864

The College lease expense totaled $153,065 in 2021.

Note 10. Risk Management

During the normal course of business, the College may become involved in various legal actions for which the outcome cannot be predicted. The College participates in the state's insurance program and is indemnified and will be paid for claims from the self-insurance program. It is the opinion of management that it will not materially affect the financial statements, in addition, the College purchases insurance from the Washington State's Department of Enterprise Services. These policies cover such areas as commercial property, athletics, and medical malpractice liabilities. The College self-insures unemployment compensation for all employees. Reserves for unemployment compensation totaled $117,275 on June 30, 2021. Unemployment compensation claims paid totaled $389,343 for 2021. During the past three years, no settlements have been greater than the insurance coverage.

Note 11. Long-Term Liabilities

The following is a schedule of long-term liabilities of the College:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Certificates of Participation (COPs)	$ 33,947,800	$ -	$ 1,510,703	$ 32,437,097	$ 1,592,757

Unamortized Bond Premium	4,133,317	-	180,363	3,952,954	180,363
Sick Leave	1,692,299	554,883	148,880	2,098,302	-
Vacation Leave	1,610,145	1,498,004	1,326,764	1,781,385	1,781,385
Pension Liabilities	9,061,430	428,093	4,194,846	5,294,677	67,248
Other Post-Employment Benefits Liabilities	22,877,736	82,371	-	22,960,107	403,852
	$ 73,322,727	$ 2,563,351	$ 7,361,556	$ 68,524,522	$ 4,025,605

Sick and vacation leave liabilities are discussed in note 8, pension liabilities are discussed in note 16, and Other Post-Employment Benefits (OPEB) liability is discussed in note 17.

Notes Payable (COPs)

In August 2006, the College obtained financing 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 below.

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 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.

Future annual debt service requirements on June 30, 2021 are as follows:

Year	Principal	Interest	Total	Bond Premium Amortization
2022	$ 1,592,757	$ 1,618,024	$ 3,210,781	$ 180,363
2023	1,664,922	1,539,064	3,203,986	180,363
2024	1,739,418	1,457,441	3,196,859	180,363
2025	1,760,000	1,372,000	3,132,000	180,363
2026	1,855,000	1,284,000	3,139,000	180,363
2027-2031	5,095,000	5,471,750	10,566,750	901,815
2032-2036	6,505,000	4,064,000	10,569,000	901,815
2037-2041	8,295,000	2,267,500	10,562,500	901,815
2042-2043	3,930,000	297,250	4,227,250	345,694
	$ 32,437,097	$ 19,371,029	$ 51,808,127	$ 3,952,954

Note 12. Commitments

Goods and services for operating and capital projects, contracted for, but not yet received, are considered commitments at year-end. The College encumbers only operating items to be received through June 30, 2021, liquidating unused balances, whereas capital projects have commitments that continue into the next fiscal year. The College has received appropriations for the 2123 biennium to 1) construct a $49.7 million classroom building, and 2) do predesign work on another building in the amount of $3 million.

Note 13. Operating Expenses by Function

Operating expenses, by functional category, for the year ended June 30, 2021 is summarized as follows:

Instruction	$ 25,636,006
Institutional support	9,380,514
Student services	7,762,117
Scholarship, fellowships, and other aid	6,477,906
Academic support	6,299,598
Operation and maintenance	4,165,498
Depreciation	2,317,566
Auxiliary enterprises	1,161,398
	$ 63,200,603

Instruction

Instruction includes expenses for all activities that are part the College’s instruction program. Expenses for credit and not credit courses; academic, vocational/technical instruction, and running start are included in this category. The College’s professional and continuing education programs are also included in this category.

Academic Support

Academic support includes expenses incurred to provide support services for the College’s primary mission of instruction. The activities of the College’s academic administration, libraries and information technology support are included in this category.

Student Services

The student services category includes the offices of registrar (enrollment), financial aid, advising and counseling and veteran services.

Scholarship, Fellowship and Other Aid

This category includes expenses for scholarship, fellowships and other financial aid not funded from existing college resources and includes an offset to tuition revenues for scholarship discounts and allowances, which represents the difference between stated charged and the amount the student pays. Expenditures of amounts received from the Washington State Need Grant and Federal Pell Grant are also included in this category.

Institutional Support

Institutional support category includes central activities that manage long-range planning for the College, such as the office of the president, along with human resources, fiscal operations, procurement, payroll, advancement, and community relations.

Auxiliary Enterprises

Auxiliary enterprises furnish goods and services to students, staff, and the public much like a for-profit business does, along with activities for student body organizations and student athletics. Operating as a self-supporting activity, the activities of the College's Bookstore, Student Housing and Food Services are included in this category.

Operation and Maintenance

Operation and maintenance category include administration, operation, maintenance, preservation, and protection of the College's physical plant.

Depreciation

Depreciation reflects a periodic expensing of the cost of capital assets such as building and equipment over their estimated useful lives.

Note 14. Deferred Compensation

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

Note 15. Deferred Outflows and Deferred Inflows of Resources

The College has deferred inflows and outflows of resources related to pension and other post-employment benefits (OPEB) other than pensions that are summarized in the table below and explained in greater detail in this note to the financial statement:

	Deferred Outflows	Deferred Inflows
Pension plans administered by the DRS	$ 2,103,919	$ (1,086,353)
Pension plan administered by the SBCTC	1,282,901	(3,544,044)
Other post-employment benefits	2,486,374	(8,269,134)
	$ 5,873,194	$ (12,899,531)

Plans Administered by DRS

The $1,403,627 reported as deferred outflows of resources for 2021 represent contributions the College made after the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2021, and is detailed in the following table:

Deferred Outflows	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Employer contributions	$ 473,366	$ 765,085	$ 86,133	$ 79,043	$ 1,403,627

Other amounts reported as deferred outflows and inflows of resources represent the sum of, 1) net difference between projected and actual earnings on pension plan investments, 2) changes in proportionate share of pension liabilities, 3) expected versus actual experience, and 4) changes in assumptions will be amortized over the next five years and recognized in pension expense as follows for each plan:

Differences Between Projected and Actual Earnings on Plan Investments

Year Ended June 30:	PERS 1*	PERS 2/3*	TRS 1*	TRS 2/3*
2022	$ (59,612)	$ (354,632)	$ (11,673)	$ (22,503)
2023	(1,875)	(15,635)	(342)	(803)
2024	18,189	109,933	3,555	7,241
2025	30,162	205,810	5,804	13,826
	$ (13,136)	$ (54,524)	$ (2,656)	$ (2,239)

Changes in Proportionate Share of Pension Liabilities

	PERS Plan 2/3		TRS Plan 2/3	
Recognition Period (Years)	7.2**		10.4**	
Year Ended June 30:	**(Inflows)**	**Outflows**	**(Inflows)**	**Outflows**
2022	$ (25,227)	$ 25,401	$ (1,129)	$ 5,040
2023	(25,227)	25,401	(1,129)	4,093
2024	(25,227)	25,401	(1,129)	4,093
2025	(25,227)	10,689	(1,129)	4,093
2026	(10,950)	4,384	(1,129)	4,093
Thereafter	(738)	5,262	(1,536)	7,236
Total	$ (112,596)	$ 96,538	$ (7,181)	$ 28,648

Differences Between Expected and Actual Experience

	PERS Plan 2/3		TRS Plan 2/3	
Recognition Period (Years)	7.2**		10.4**	
Year Ended June 30:	**(Inflows)**	**Outflows**	**(Inflows)**	**Outflows**
2022	$ (32,035)	$ 77,718	$ (832)	$ 17,528
2023	(32,035)	77,718	-	17,528
2024	(32,035)	77,718	-	17,528
2025	(32,035)	59,469	-	17,528
2026	(6,409)	51,648	-	17,528
Thereafter	-	40,065	-	58,096
Total	$ (134,549)	$ 384,336	$ (832)	$ 145,736

Changes of Assumptions

	PERS Plan 2/3		TRS Plan 2/3	
Recognition Period (Years)	7.2**		10.4**	
Year Ended June 30:	**(Inflows)**	**Outflows**	**(Inflows)**	**Outflows**
2022	$ (139,508)	$ 3,071	$ (3,585)	$ 4,073
2023	(139,508)	3,071	(3,585)	3,890

2024	(139,508)	3,071	(3,585)	3,890
2025	(139,508)	2,927	(3,585)	3,890
2026	(86,875)	2,865	(3,585)	3,890
Thereafter	(88,461)	286	(7,347)	10,110
Total	$ (733,368)	$ 15,291	$ (25,272)	$ 29,743

*The recognition period is a closed five-year period for all plans.
**The recognition period for each plan is equal to the average of the expected remaining service lives of all employees provided with pensions through the pension plan, which is measured at the beginning of the measurement period.

Plan Administered by SBCTC

The following tables represent the components of the College's deferred (inflows) and outflows of resources for 2021 for the State Board Retirement Plan (SBRP) administered by the State Board for Community and Technical Colleges (SBCTC):

	Deferred Outflows	Deferred Inflows
Difference Between Expected and Actual Experience	$ 326,907	$ 1,326,638
Changes of Assumptions	770,829	1,682,648
Changes in College's proportionate share of pension liability	185,165	361,615
Differences between Projected and Actual Earnings	-	173,143
Total	**$ 1,282,901**	**$ 3,544,044**

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

	State Board Supplemental Retirement Plan
2022	428,585
2023	428,585
2024	373,330
2025	290,413
2026	295,625
Thereafter	444,605

Other Post-Employment Benefits

The following are elements of the deferrals, inflows, and outflows, for other post-employment benefits:

	Deferred Outflows	Deferred Inflows
Changes in assumptions	$ 1,578,814	$ (5,414,946)
Changes in experience	503,708	(108,564)
Transactions after the measurement date	403,852	-
Changes in proportionate share of liability	-	(2,745,624)

$ 2,486,374	$ (8,269,134)

The deferred outflow in the amount of $403,852 will be recognized as a reduction in the current portion of the other postemployment benefit liability in the subsequent period. Amounts reported as deferred (inflows) and outflows, will be recognized in OPEB expense in the following years:

	Changes in				
	Assumptions		Liability	Experience	
Year Ended June 30:	(Inflows)	Outflows	(Inflows)	(Inflows)	Outflows
2022	$ (1,067,151)	$ 311,145	$ (386,185)	$ (21,395)	$ 99,268
2023	(1,067,151)	311,145	(386,185)	(21,395)	99,268
2024	(1,067,151)	311,145	(386,185)	(21,395)	99,268
2025	(1,067,151)	311,145	(386,185)	(21,395)	99,268
2026	(1,067,151)	311,145	(386,189)	(21,395)	99,268
Thereafter	(79,191)	23,089	(814,695)	(1,589)	7,368
Total	$ (5,414,946)	$ 1,578,814	$ (2,745,624)	$ (108,564)	$ 503,708

Note 16. Pension and Retirement Plans

The College offers three contributory pension and retirement plans which cover eligible faculty, staff, and administrative employees: The Washington State Public Employees' Retirement System (PERS) plan, the Washington State Teachers' Retirement System (TRS) plan and the State Board Retirement Plan (SBRP).

PERS and TRS Plans

Plan Descriptions

PERS and TRS are multiple employers, defined benefit pension plans administered by the state of Washington, Department of Retirement System (DRS).

PERS and TRS Plan 1

These plans provide retirement and disability benefits, and minimum benefit increases beginning at any age, with 30 years of service, or at age 55, with 25 years of service, or at age 60, with five years of service to eligible members hired prior to October 1, 1977.

PERS and TRS Plan 2

These plans provide retirement and disability benefits, and a cost-of-living allowance, beginning at age 65 with at least five years of service, or at age 55, with 20 years of service to eligible members hired on or after October 1, 1977.

PERS and TRS Plan 3

These plans are a hybrid defined benefit and defined contribution plans. The College contributions fund the defined benefit component, provides retirement and disability benefits. In addition, the plans have a defined contribution component, which is funded by employee contributions. Vesting in these plans occur if the employee has a) ten years of service credits, or b) five years of service credits and at least 12 of those months were earned after age 44, or c) five years of service credit earned in PERS Plan 2 prior to June 1, 2003 or five years of service credit earned in TRS Plan 2 prior to July 1, 1996. Once vested, the employee is eligible for full retirement benefits at age 65. If the employee has at least 10 years of service credit and are age 55 or older, they can retire early, but their benefit may be reduced. The components of the net pension liabilities for PERS 1, PERS 2/3, TRS 1 and TRS 2/3 for 2020 are as follows:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3
Total pension liability	$ 7,522,692	$ 38,640,333	$ 1,402,433	$ 2,786,266
Plan fiduciary net position	(5,163,302)	(37,566,725)	(989,423)	(2,555,669)
Net pension liability	$ 2,359,389	$ 1,073,609	$ 413,010	$ 230,597
Plan fiduciary net position as percentage of total pension liability	68.64%	97.22%	70.55%	91.72%

Employers can participate in multiple systems and/or plans. Information on these retirement plans and benefits is available in a Comprehensive Annual Financial Report publicly available from the Department of Retirement Systems' Fiscal Office, PO Box 48380, Olympia, WA 98504-8380.

Funding Policy

Each biennium, the Office of State Actuary, using funding methods prescribed by statute to determine the actuarially required contribution rates for PERS and TRS plans, except where employee contribution rates are set by statute. Employers are required to contribute at the level established by state law.

The required contribution rates, expressed as percentages for the years 2020 and 2021, are as follows:

	FY2020				FY2021			
PERS	Employee		College***		Employee		College***	
Plan 1	6.00%		12.86%		6.00%		12.97%	
Plan 2	7.90%		12.86%		7.90%		12.97%	
Plan 3	5.00-15.00%	*	12.86%	**	5.00-15.00%	*	12.97%	**
TRS								
Plan 1	6.00%		15.51%		6.00%		15.74%	
Plan 2	7.77%		15.51%		7.77%		15.74%	
Plan 3	5.00-15.00%	*	15.51%	**	5.00-15.00%	*	15.74%	**

*Variable from 5% to 15% based on rate selected by the employee
**Plan 3 defined benefit portion only
***Includes an administrative expense rate of 0.18%

Investment Policy

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

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

For the years ended June 30, 2021, and 2020, the annual money weighted rate of return on the pension investments, net of pension plan expenses are as follows:

Pension Plan	Rate of Return 2021	2020
PERS Plan 1	31.34%	4.49%
PERS Plan 2/3	31.67%	4.55%
TRS Plan 1	31.31%	4.48%
TRS Plan 2/3	31.76%	4.57%

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

The PERS and TRS target asset allocation, actual asset allocation and long-term expected real rate of return are summarized in the following table as of June 30, 2020:

Asset Class	Target Allocation	Long-Term Expected Real rate of Return
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

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

Pension Expense

Pension expense, included in "Employee benefits" expense in the statements of revenues, expenses, and changes in net position, totaled $491,440 for 2021. The following tables shows the components of each year's pension plan expenses:

2021 Pension Expense	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Actuarial determined pension expense	$ 113,910	$ 107,975	$ 48,033	$ 72,699	$ 342,617
Amortization of change in proportionate liability	87,623	61,454	(9,995)	9,741	148,823
Total pension expense	$ 201,533	$ 169,429	$ 38,038	$ 82,440	$ 491,440

Changes in Proportionate Shares of Pension Liabilities

The changes, increases or (decreases), to the College's proportionate share of pension liabilities from 2020 to 2021 for PERS 1, PERS 2/3, TRS 1 and TRS 2/3, respectively as noted in the following table:

Year	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2021	0.063162%	0.080583%	0.015642%	0.013049%
2020	0.066828%	0.083945%	0.017146%	0.015013%

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, whose rates include a component for the PERS Plan 1 and TRS Plan 1 liabilities, respectively). 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 7.4 percent on pension plan investments was applied to determine the total pension liability.

The following represents the net pension liability of the College using the discount rate of 7.4 percent, as well as what the College's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.4 percent) or 1-percentage-point higher (8.4 percent) than the current rate:

Pension Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS Plan 1	$ 2,955,269	$ 2,359,389	$ 1,839,720
PERS Plan 2/3	6,680,283	1,073,609	(3,543,490)
TRS Plan 1	523,280	413,010	316,781
TRS Plan 2/3	679,586	230,597	(135,664)

On June 30, 2021, the College reported a total collective liability of $4,076,605 for its proportionate shares of the net pension liability for the PERS and TRS pension plans.

The total pension liabilities were determined by an actuarial valuation as of June 30, 2019 with the results rolled forward to June 30, 2020, using the following actuarial assumptions applied for both PERS and TRS plans, to all prior periods included in this measurement:

- Inflation – 2.75% total economic inflation, 3.5% salary inflation
- Salary Increases - In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotion and longevity
- Investment Rate of Return - 7.4%

State Board Retirement Plan (SBRP)

The State Board Retirement Plan (SBRP) was created for the SBCTC, the 34 community and technical colleges in the state of Washington, and the Student Achievement Council, is a tax deferred multiple employers defined contribution plan which covers most faculty, professional and exempt staff. Due to changes in legislation, assets from the SBRP plan that were previously not administered through a trust, were placed into a trust or similar arrangement. As a result, the SBRP previously reported under GASB Statement No. 73, is now reported under GASB Statement No. 68. This change is effective for fiscal year 2021.

The SBRP Contributions to the plan are invested in annuity contracts or mutual funds offered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). Employees always have, a 100% vested interest in their accumulations. Benefits are available upon employee separation or retirement. The SBRP, operating under section 401(a) of the Internal Revenue Code, has a contract with the TIAA-CREF to administer records, investments, and benefits.

The benefit goal for the SBRP is 2% of the employee's average annual salary for each year of full-time service up to a maximum of 25 years of service. However, if the employee does not elect to make the 10% contribution at age 50, the benefit goal is reduced to 1.5% for each year of full-time service.

The plan has a supplemental payment plan component which guarantees a minimum retirement benefit based on a one-time calculation at each employee's retirement date. Effective for employees hired on or after July 1, 2011, state law no longer offers this supplemental component benefit.

Funding Policy

Employee contribution rates, based on age, varies from 5% for participants under 35 years of age, 7.5% for participants 35 to 49 years of age and 10% for participants age 50 and over. Employees have, at all times, a 100% vested interest in their accumulations. Employee and employer contributions to the SBRP for the year-end June 30, 2021 were $1,831,895 and $1,834,830, respectively. All required employee and employer contributions have been made by the College.

Membership of the State Board Supplemental Retirement Plans consisted of the following on June 30, 2020, the date of the latest actuarial valuation:

Number of Participating Members			
Inactive Members (or Beneficiaries) Currently Receiving Benefits	**Inactive Members Entitled To But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
5	12	168	185

The following table presents the change in net pension liability of the State Board Supplemental Retirement Plan on June 30, 2021:

Development of Net Pension Liability	Amount
Service Cost	$ 156,647
Interest	111,417
Differences Between Expected and Actual Experience	(1,005,230)
Changes in Assumptions	(1,814,249)
Benefit Payments	(66,790)
Change in Proportionate Share of TPL	(345,975)
Net Change in Total Pension Liability	(2,964,180)
Total Pension Liability - Beginning	5,263,895
Total Pension Liability - Ending	**$ 2,299,715**
Plan Fiduciary Net Position	
Contributions - Employer	$ 21,995
Net Investment Income	275,306
Net Change in Plan Fiduciary Net Position	**297,301**
Plan Fiduciary Net Position-Beginning	784,342
Plan Fiduciary Net Position-Ending	**1,081,643**
Net Pension Liability	**$ 1,218,072**

The following table presents the total pension liability, calculated using the discount rate of 7.4 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 (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
$ 1,459,412	$ 1,218,072	$ 1,010,293

Pension Expense

Pension expense for the year ended June 30, 2021 was $(1,092,491) as detailed in the table below:

Proportionate Share (%)	**3.35289%**
Service Cost	$ 156,647
Interest	111,417
Amortization of Differences Between Expected and Actual Experience	(228,432)
Amortization of Changes of Assumptions	(135,088)
Changes of Benefit Terms	-
Expected Earnings on Plan Investments	(58,843)
Amortization of Difference between Projected and Actual Earnings on Plan Investments	(43,286)
Administrative Expenses	-
Other Changes in Fiduciary Net Position	-
Proportionate Share of Collective Pension Expense	(197,585)
Amortization of the Change in Proportionate Share of TPL	(21,779)
Benefit payments and Employer Contributions	(88,785)
Beginning Balance Net Position	(784,342)
Total Pension Expense	**$ (1,092,491)**

The College has an aggregate net pension liability under GASB Statement No. 68 of $5,294,677 as detailed in the following table:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	SBRP	Total
Net pension liability	$ 2,359,389	$ 1,073,609	$ 413,010	$ 230,597	$ 1,218,072	$ 5,294,677

Note 17. Other Post-Employment Benefits (OPEB)

OPEB are benefits provided to retired employees (and their spouses) beyond those provided by their pension plans. These programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits, and determine terms and conditions of employee and retired employee participation and coverage. Benefits provided by this single-employer defined-benefit OPEB plan include medical, prescription drug, life, dental, vision, disability, and long-term care insurance. Medical, prescription drug and vision insurance comprise the bulk of the monetary assistance, or subsidies, provided by PEBB OPEB.

The OPEB relationship between PEBB employers and their employees and retirees are not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. 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 employers and plan members and the historical pattern of practice regarding the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumptions used in the valuations presented in this footnote assume that this substantive plan will continue.

The HCA has two claim pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. For retirees, participating employers provide two different subsidies: an implicit subsidy and an explicit subsidy.

- The implicit subsidy, set up under RCW 41.05.022, is not a direct payment from the employer on behalf of the retiree. Retirees who are not yet eligible for Medicare benefits may currently continue to participate in the state's non-Medicare community-rated health insurance risk pool. Claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums. Therefore, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. This results in an implicit subsidy since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.
- The explicit subsidy, permitted under RCW 41.05.085, is a set dollar amount which lowers the monthly premium paid by members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy applicable to each calendar year, with the final amount approved by the state Legislature. The subsidy was $168 per member per month for the first half of fiscal year 2020 and increased in the second half of fiscal year 2020 to $183 per member per month. The amount of the explicit subsidy remained unchanged during fiscal year 2021.

The OPEB plan is currently available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire. PEBB member data used in the valuation of the OPEB liability include members enrolled in a PEBB program as well as other active employees who were eligible to enroll but waived coverage. The following table shows the College's PEBB membership data as of June 30, 2021:

Summary of Plan Participants As of June 30, 2021	
Active employees	494
Retirees receiving benefits	210
Retirees not receiving benefits	2
Total active employees and retirees	706

Accounting requirements dictate the use of assumptions to best estimate the impact that OPEB obligations will have on the College. The professional judgments used by the Washington State Office of the State Actuary (OSA) in determining the assumptions used to value the state of Washington OPEB liability are important and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant impact on the College's financial statements. The following table shows significant assumptions used to measure the total OPEB liability (TOL) as of June 30, 2021:

Inflation Rate	**2.75%**
Projected Salary Increases	**3.50%**

Health Care Cost Trend Rates	**Initial Rate Ranges from 2% to 11% Reaching a Rate of 4.3% in 2084**
Source of Mortality Assumptions	**Society of Actuaries**
Date of Experience Study	**2013-2018 Demographic Experience Study**
Discount Rate	**2.21%**
Source of Discount Rate	**Bond Buyer General Obligation 20-Bond Municipal Index**
Post-Retirement Participation Percentage	**65%**
Percentage with Spouse Coverage	**45%**
TOL Measurement at Discount Rate	**$22,960,107**
TOL Discount Rate Increased by 1%	**$19,192,317**
TOL Discount Rate Decreased by 1%	**$27,799,026**
TOL Measurement at Health Care Cost Trend Rate	**$22,960,107**
TOL Health Care Cost Trend Rate Increased 1%	**$28,658,086**
TOL Health Care Cost Trend Rate Decreased 1%	**$18,710,047**

Material assumption changes during the measurement period ending June 30, 2020 include updating the discount rate, updating the forecasts of healthcare cost trend rate, and the mortality assumptions as required by GASB 75.

The state reported a total OPEB liability of $6.06 billion at June 30, 2021. The College's proportionate share of the total OPEB liability is $22,960,107. This liability was determined by an actuarial valuation conducted by Office of the State Actuary (OSA) based on a measurement date of June 30, 2020. The measurement date of the TOL as of June 30, 2021, was the same as the valuation date.

OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as the College. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. As such, the allocation method used to determine the College's proportionate share of the statewide TOL is the relationship of the College's active, healthcare-eligible employee headcount to the corresponding statewide total. The College's proportionate share percentage was 0.38% as of June 30, 2021. The OPEB plan is funded on a pay-as-you-go basis. Accordingly, contributions from employers to the HCA occur only when benefits become due (after retirement). No qualified trust fund has been established dedicated to these benefits and there are no associated assets. As a result, the College reports a proportionate share of the state's total OPEB liability. The College was billed and paid approximately $5.28 million for active and retiree healthcare expenses in 2021.

Proportionate Share (%)		**0.3791803870%**
Service Cost	$	952,776
Interest Cost		797,012
Differences between Expected and Actual Experience		(122,134)
Changes in Assumptions		516,641
Changes in Benefit Terms		-
Benefit Payments		(379,469)
Changes in Proportionate Share		(870,640)
Other		(811,815)
Net Change in Total OPEB Liability		82,371

Total OPEB Liability - Beginning		22,877,736
Total OPEB Liability - Ending	$	22,960,107

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

For the year ending June 30, 2021, the College will recognize OPEB expense of $(126,346). OPEB expense consists of the following elements:

Proportionate Share (%)		**0.3791803870%**
Service Cost	$	952,776
Interest Cost		797,012
Amortization of Differences between Expected and Actual Experience		70,381
Amortization of Changes in Assumptions		(748,515)
Changes in Benefit Terms		-
Amortization of Changes in Proportion		(386,185)
Other Changes to Fiduciary Net Position		(811,815)
Total OPEB Expense	$	(126,346)

Note 18. Vendor Payment Advance

In accordance with RCW 28B.50.143, the Washington State Treasurer advances the College an amount equal to 17% of the College's general fund (001) budgeted expenditures for the biennium. This advance is returned to the state Treasurer after the final reimbursement for the biennium is requested. In July 2019, the College returned the 17/19 biennium advance of $313,600 and was advanced $337,800 for the current 19/21 biennium.

Note 19. Subsequent Event

On November 17, 2021, the College, working with the Washington State Treasurers' Office (TRE), was notified by TRE that on October 26, 2021 that it sold a $2.576 million bond on behalf of the College, after adding bond premium and deducting issue costs, it netted the College $3.128 million. The bond has a term of ten years, an interest rate of 1.26537% with semi-annual debt service payment maturing on December 1, 2031. The bond will be used to help fund the construction of the Allied Health, Sciences and Manufacturing building which started construction in July 2021.

Required Supplementary Information

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of the College's Proportionate Share of Net Pension Liabilities

Schedule of Shoreline College's Share of Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended 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 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	0.064692%	2,487,637	8,885,282	28.00%	67.12%
2020	0.066828%	2,359,389	10,029,821	23.52%	68.64%
2021					
2022					
2023					

Schedule of Shoreline College's Share of Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended 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 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	0.080695%	783,823	8,764,210	8.94%	97.77%
2020	0.083945%	1,073,609	9,764,230	11.00%	97.22%
2021					
2022					
2023					

* These schedules will be built prospectively until they contain ten years of data.

Note: As permitted by GASB Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of the College's Proportionate Share of Net Pension Liabilities

Schedule of Shoreline Community College's Share of Net Pension Liability
Teachers' Retirement System (TRS) Plan 1
Fiscal Year Ended 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 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%	513,813	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	0.017521%	433,785	1,102,764	39.34%	70.37%
2020	0.017146%	413,010	1,233,451	33.48%	70.55%
2021					
2022					
2023					

Schedule of Shoreline Community College's Share of Net Pension Liability
Teachers' Retirement System (TRS) Plan 2/3
Fiscal Year Ended 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 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	0.015317%	92,290	1,026,002	9.00%	96.36%
2020	0.015013%	230,597	1,071,831	21.51%	91.72%
2021					
2022					
2023					

* These schedules will be built prospectively until they contain ten years of data.

Note: As permitted by GASB Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of the College's Contributions

Schedule of Shoreline Community College's Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30*

Fiscal Year	Contractually Required Contributions	Contributions in relation to Contractually Required Contributions	Contribution deficiency (excess)	Covered employee 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	401,333	401,333	-	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	484,334	484,334	-	10,029,821	4.83%
2021	470,481	470,481	-	9,857,043	4.77%
2022					
2023					

Schedule of Shoreline Community College's Contributions
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended June 30*

Fiscal Year	Contractually Required Contributions	Contributions in relation to Contractually Required Contributions	Contribution deficiency (excess)	Covered employee 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	-	8,764,210	7.52%
2020	773,327	773,327	-	9,764,230	7.92%
2021	763,344	763,344	-	9,638,181	7.92%
2022					
2023					

* These schedules will be built prospectively until they contain ten years of data.

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of the College's Contributions

Schedule of Shoreline Community College's Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30*					
Fiscal Year	**Contractually Required Contributions**	**Contributions in relation to Contractually Required Contributions**	**Contribution deficiency (excess)**	**Covered employee 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	90,044	90,044	-	1,233,451	7.30%
2021	85,972	85,972	-	1,173,259	7.33%
2022					
2023					

Schedule of Shoreline Community College's Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30*					
Fiscal Year	**Contractually Required Contributions**	**Contributions in relation to Contractually Required Contributions**	**Contribution deficiency (excess)**	**Covered employee payroll**	**Contributions as a percentage of covered employee payroll**
2014	$ 15,798	$ 15,798	$ -	$ 264,942	5.96%
2015	30,125	30,125	-	512,972	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	87,354	87,354	-	1,071,831	8.15%
2021	78,968	78,968	-	968,934	8.15%
2022					
2023					

* These schedules will be built prospectively until they contain ten years of data.

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of the College's Contributions

Schedule of Shoreline Community College's Contributions State Board Retirement Plan (SBRP) Fiscal Year Ended June 30*	2021
Contractually Required Contributions	$ 27,174
Contributions in relation to Contractually required Contributions	27,174
Contributions deficiency (excess)	-
Covered-employee payroll	20,903,439
Contributions as a percentage of covered-employee payroll	0.13%

* These schedules will be built prospectively until they contain ten years of data.

Note to Supplemental Defined Benefit Plan

The State Board Supplemental Retirement Plan are financed on a pay-as-you-go basis. State Board makes direct payments to qualifying retires when the retirement benefits provided by the fund sponsors do not meet the benefits 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 rates, salary growth and the variable income investment return.

Effective fiscal year 2021, House Bill 1661 created dedicated funds to pay for SBRP benefits that mimic the trust arrangement for the rest of the state retirement systems. As a result, the plan, previous reported under GASB Statement No. 73, is now reported under GASB Statement No. 68.

Required Supplementary Information

PENSION PLAN INFORMATION
Cost Sharing Employer Plans
State Board Retirement Plan (SBRP)

Schedule of Changes in Net Pension Liability and Related Ratios Shoreline Community College Fiscal Year Ended June 30*	2017	2018	2019	2020	2021
Total Pension Liability - Beginning	$ 4,065,469	$ 3,265,444	$ 3,217,752	$ 3,926,170	$ 5,263,895
Service Cost	186,101	141,263	101,420	126,198	156,647
Interest	120,724	129,820	122,677	141,961	111,417
Expected vs. actual experience	(870,419)	(383,961)	231,291	299,108	(1,005,230)
Changes in assumptions	(205,443)	(129,894)	434,892	799,206	(1,814,249)
Benefit payments	(30,988)	(47,986)	(64,676)	(64,073)	(66,790)
Changes in proportionate share	-	243,066	(117,186)	35,325	(345,975)
Total Pension Liability - Ending	$ 3,265,444	$ 3,217,752	$ 3,926,170	$ 5,263,895	$ 2,299,715
Plan Fiduciary Net Position**					
Contributions - Employer	n/a	n/a	n/a	n/a	$ 21,995
Contributions - Member	n/a	n/a	n/a	n/a	-
Net Investment Income	n/a	n/a	n/a	n/a	275,306
Benefit Payments	n/a	n/a	n/a	n/a	-
Administrative Expenses	n/a	n/a	n/a	n/a	-
Other	n/a	n/a	n/a	n/a	-
Net Change in Plan Fiduciary Net Position					$ 297,301
Plan Fiduciary Net Position - Beginning					784,342
Plan Fiduciary Net Position - Ending					$ 1,081,643
Plan's Net Pension Liability - Ending					$ 1,218,072
College's Portion of Net Pension Liability	3.435501%	3.691225%	3.556796%	3.588798%	3.352890%
College's Covered Payroll	$ 19,079,386	$ 20,777,044	$ 20,485,474	$ 21,587,243	$ 20,903,439
College's Total or Net Pension Liability as a Percentage of Covered-Employee Payroll (net as of FY21)	17.115037%	15.487054%	19.165629%	24.384286%	5.827137%

n/a indicates data not available
* These schedules will be built prospectively until they contain ten years of data.
**Due to changes in legislation, assets from this plan that were previously not administered through a trust, was placed into a trust or similar arrangement. As a result, this plan previously reported under GASB Statement No. 73, is now reporting under GASB Statement No. 68. This change is effective for the fiscal year 2021.

Required Supplementary Information

OPEB INFORMATION

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

	2018	2019	2020	2021
Total OPEB Liability - Beginning	$ 26,889,571	$ 24,978,806	$ 21,457,168	$ 22,877,736
Service Cost	1,693,411	1,341,535	926,333	952,776
Interest	793,204	922,298	803,542	797,012
Difference between expected and actual experience	-	841,879	-	(122,134)
Changes in assumptions	(3,869,263)	5,873,044)	1,496,404	516,641
Benefit payments	(404,230)	(389,534)	(367,572)	(379,469)
Changes in proportionate share	(123,887)	(364,772)	(1,438,139)	(870,640)
Other changes	-	-	-	(811,815)
Total OPEB Liability - Ending	$ 24,978,806	$ 21,457,168	$ 22,877,736	$ 22,960,107
Covered-employee payroll	30,323,246	30,198,245	32,115,222	32,675,791
Total OPEB Liability as a percentage of covered-employee payroll	82.38%	71.05%	71.24%	70.27%

* These schedules will be built prospectively until they contain ten years of data.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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