Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Shoreline Community College

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

Published April 22, 2021

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Office of the Washington State Auditor
Pat McCarthy

April 22, 2021

Board of Trustees
Shoreline Community College
Shoreline, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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Shoreline Community College
July 1, 2019 through June 30, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 1, 2021.

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 results 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 the other auditors, is based solely on the reports of the other auditors. The financial statements of the Foundation were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

The financial statements of the Shoreline Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

April 1, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Shoreline Community College
July 1, 2019 through June 30, 2020

Board of Trustees
Shoreline Community College
Shoreline, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shoreline Community College Foundation (the Foundation), which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose 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.

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

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

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

Opinion

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

Matters of Emphasis

As discussed in Note 1, the financial statements of the 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, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

April 1, 2021

FINANCIAL SECTION

Shoreline Community College
July 1, 2019 through June 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

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, 2020 with comparative information for the year ended June 30, 2019. 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 Community 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 2020.

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.

The College's Financial Position

The statement of net position provides information about the College's financial position at the end of the year. It displays all of 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, 2020 and 2019, follows:

Condensed Statements of Net Position As of June 30 (Dollars in thousands)	2020	2019
ASSETS		
Current assets	$ 30,312	$ 39,766
Capital assets	69,590	64,527
Other non-current assets	1,172	1,162
Total assets	101,074	105,455
DEFERRED OUTFLOWS	5,908	3,682
LIABILITIES		
Current liabilities	14,568	13,880
Other non-current liabilities	69,551	69,633
Total liabilities	84,119	83,513
DEFERRED INFLOWS	11,785	11,714
NET POSITION	$ 11,078	$ 13,910

Current assets consist of cash, accounts receivable and inventories. The $9.5 million decrease from 2019 to 2020 was the result of the reduction in the amount of the receivable from the Office of State Treasurer (OST). The OST is holding funds on behalf of the College from the sale of notes payable, for the construction of student housing. The reduction represents reimbursements for construction costs for student housing in 2020.

Capital assets increased by a net of $5 million in 2020, the result of completion of the 7000 Building, for Student Housing in September 2019 and work on the Allied Health Sciences building project. The college recorded $2.16 million in depreciation expense in 2020 on its capital assets. More information on the College's capital assets can be found in note 7 to the financial statements. Deferred outflows increase for OPEB by $1.2 million as a result of changes in proportionate liability and changes in assumption.

Deferred outflows for pension plans in 2020 increased by about $1.1 million a result of 1) increases in the differences between expected and actual earnings for PERS/TRS pension plans, and 2) changes in both differences between expected and actual experience and changes in assumptions for the SBRP. Deferred outflows increase for OPEB by $1.2 million as a result of changes in proportionate liability and changes in assumption.

Current liabilities include accounts payable, accrued payroll current portions of long-term debt and unearned revenues, which current liabilities increased by about $700,000 for 2020. The primary reason for the increase is the cash collection of advance tuition revenues for summer and fall quarters 2020.

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 positon is not subject to externally imposed stipulations, however the College has designated the majority of the unrestricted net position for various academic and support functions.

Condensed Net Position

As of June 30 (Dollars in thousands)	2020	2019 - Restated
Investment in capital assets	$ 31,792	$ 32,063
Restricted:		
Non-Expendable	3	3
Expendable	697	801
Unrestricted	(21,414)	(18,957)
Total Net Position	$ 11,078	$ 13,910

The primary reason for the decrease in overall net position is the settlement of the Traffic Mitigation issue between the College and the city of Shoreline Washington (City). In December 2020, the College and the City settled this matter resulting in the College agreeing to paying a $2.1 million to the City to settle all future traffic related matters associated with the construction of new College buildings which the City contends adversely affects traffic at an intersection owned and managed by the City.

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, 2020 and 2019, follows:

Condensed Statements of Revenues, Expenses and Changes in Net Position

For the years ended June 30 (dollars in thousands)	2020	2019
Operating revenues	$ 35,148	$ 34,989
Operating expenses	68,861	66,476
Net operating loss	(33,713)	(31,487)
Non-operating revenues	33,951	28,391
Non-operating expenses	5,241	1,881
Income (Loss) before capital appropriations	(5,003)	(4,977)
Capital appropriations	2,171	5,158
Increase in net position	(2,832)	181

Net position, beginning of year	13,910	13,729
Net position, end of year	$ 11,078	$ 13,910

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, 2020 and 2019:

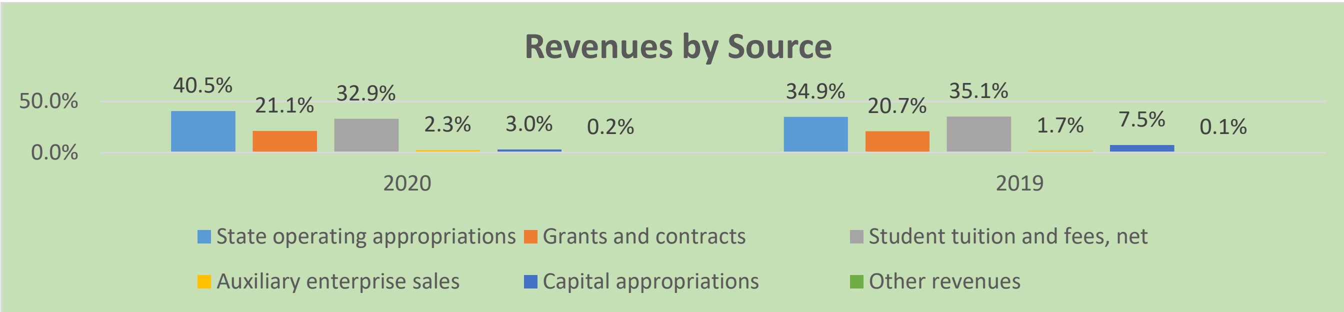
Revenues by Source

For the years ended June 30 (dollars in thousands)	2020	2019
Operating		
Student tuition and fees, net	$ 23,434	$ 24,065
Grants & contracts	9,975	9,645
Auxiliary enterprise sales, net	1,666	1,183
Other revenues	69	89
Interest on loans	4	7
Non-operating		
State operating appropriations	28,854	23,887
Capital appropriations	2,171	5,158
Grants & contracts	5,047	4,504
Investment income	50	-
Total revenues	$ 71,270	$ 68,538

State operating appropriations increased by $5 million due to higher-than-expected operating appropriations approved by the state legislature. State capital appropriations were lower by $3 million in 2020, this common for the first year of a biennium (2020) as typically, Colleges spend down capital appropriations on the final year of a biennium (2019), as capital appropriations do not always get re-appropriated int eh next biennium, so institution spend all their available appropriation or risk losing them in the new biennium. The College also received HEERF CARES Act funding from the Federal government in 2020, in the amount of $2.4 million, the result of COVID 19, and spent about $500,000 of this funding in 2020.

Management's Discussion and Analysis

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, 2020, and 2019 in percentage terms.



Operating Expenses

Operating expenses increased by $2.4 million in 2020. This increase was all associated with 1) increase labor costs, and 2) decrease of about $400,000 in travel expenses in 2020 as a result of travel restrictions imposed by COVID 19 in the spring of 2020, and 3) lower repairs and maintenance costs in 2020 because higher spending on repairs and maintenance in 2019, to spend down capital appropriations set to expire at the end in the biennium (2019)

The College has non-operating expenses, comprised tuition remittances, which are about $1.8 million per year, but interest expense increased by $1.2 million in 2020, in 2019 all the interest expense for the construction of student housing was capitalized during the construction period, and in 2020, the College settle a traffic mitigation issue with the city of Shoreline Washington for $2.1 million. This is discussed in further detail in note 20 to the financial statements. Operating expenses, for 2020 and 2019 are noted below, by natural classification, followed by a bar chart that shows the comparative percentages:

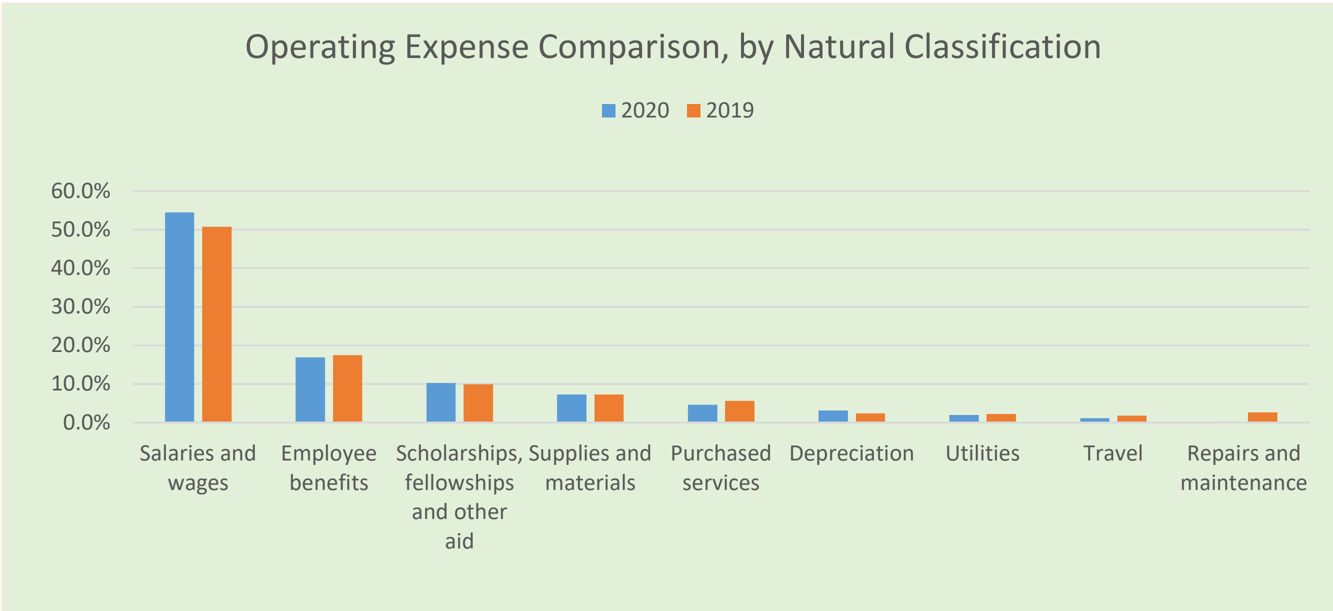
Operating Expenses

For the years ended June 30 (dollars in thousands)

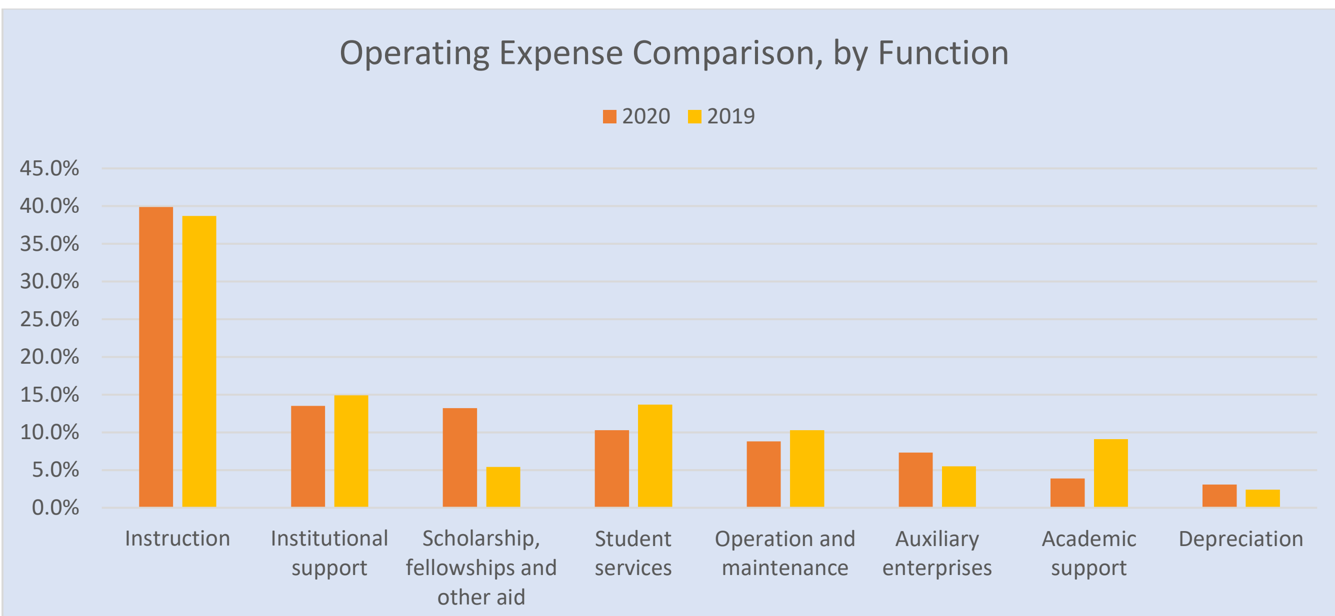
	2020	Percentage	2019	Percentage
Salaries and wages	$ 37,528	54.5%	$ 33,681	50.7%
Employee benefits	11,626	16.9%	11,649	17.5%
Scholarships, fellowships and other aid	7,082	10.3%	6,572	9.9%
Supplies and materials	5,030	7.3%	4,902	7.3%
Purchased services	3,184	4.6%	3,694	5.6%
Depreciation	2,159	3.1%	1,606	2.4%
Utilities	1,332	2.0%	1,464	2.2%
Travel	769	1.1%	1,191	1.8%
Repairs and maintenance	151	0.2%	1,717	2.6%
Total operating expenses	$ 68,861	100.0%	$ 66,476	100.0%

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

Management's Discussion and Analysis



The following chart shows functional reporting of expenses, in percentage terms, for 2020 and 2019.



Management's Discussion and Analysis

Capital Improvements

The College spent $7.2 million for capital related purposes in 2020, primarily for the construction of the Student Housing, which was completed in 2020, along with the preliminary planning for a new health and science building.

Financial Summary and Economic Factors That May Affect the Future

Throughout 2020, the state of Washington, which provided approximately 44% of the College's total revenues in fiscal year 2020, continued to experience significant uncertainty in state tax collections due to the COVID-19 pandemic. In recent fiscal years, growth in state revenues have been consumed largely by court-mandated increases to K-12 education funding. Due to projected decreases in tax revenues as the result of COVID-19. The September 2020 revenue forecast projected a $4.5 billion deficit over current and upcoming biennia, with $2.4 billion attributable to the current biennium.

Tuition revenues, both from residential and international students have shown decreases over the last several fiscal years and projected to continue into 2021 and beyond. In addition, increased healthcare costs, and increased employer pension contribution rates and collective bargaining agreements with cost-of-living increases continued to put a strain on the College finances, the College has debt service for the new constructed Student Housing Building, which requires more than 90% occupancy to service, which currently has less than 40% occupancy rate, which will require subsidies from the College's operating reserves and other sources. While the College continues to exercise fiscal caution in its overall spending and budgeting, COVID-19, a modified funding allocation process implemented by the SBCTC and the State's court-ordered priority to fully fund K-12 education are adverse factors on the state operating appropriations to the College.

Statement of Net Position

June 30, 2020

Assets	
Current Assets	
Cash and cash equivalents	$ 22,187,632
Due from State Treasurer	2,325,310
Accounts receivable, net	5,745,316
Student loans receivable, net	19,186
Interest receivable	6,676
Inventories	28,107
Total current assets	30,312,227
Non-Current Assets	
Restricted cash and cash equivalents	1,000,000
Student loans receivable, net	171,401
Land and construction in progress	3,680,523
Capital assets, net of depreciation	65,909,399
Total non-current assets	70,761,323
Total Assets	101,073,550
Deferred Outflows	
Deferred outflows related to pensions	3,572,445
Deferred outflows related to OPEB	2,335,527
	5,907,972
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	6,017,817
Compensated absences	1,610,145
Due to State Treasurer	16,662
Unamortized bond premium	180,363
OPEB liability	394,482
Certificates of Participation	1,510,703
Total pension liability	76,309
Unearned revenues	4,424,208
Vendor Payment Advance	337,800
Total current liabilities	14,568,489
Non-Current Liabilities	
Compensated absences	1,692,299
OPEB liability	22,483,254
Certificates of Participation	32,437,097
Unamortized bond premium	3,952,954
Total pension liability	5,187,586
Net pension liability	3,797,535
Total non-current liabilities	69,550,725
Total Liabilities	84,119,214
Deferred Inflows	
Deferred inflows related to pensions	3,053,947
Deferred inflows related to OPEB	8,730,856
	11,784,803
Net Position	
Net investment in capital assets	31,791,639
Restricted nonexpendable	3,009
Restricted expendable	696,720
Unrestricted (deficit)	(21,413,863)
Total Net Position	$ 11,077,505

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

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2020

Operating Revenues		
Student tuition and fees, net of scholarships allowance	$	23,434,325
State and local grant and contracts		9,056,940
Auxiliary enterprise sales		1,665,794
Federal grants and contracts		917,668
Other operating revenues		69,096
Interest on loans to students		4,216
Total operating revenue		35,148,039
Operating Expenses		
Salaries and wages		37,528,342
Employee benefits		11,626,345
Scholarships, fellowships and other aid		7,082,209
Supplies and materials		5,029,556
Purchased services		3,184,009
Depreciation		2,158,606
Utilities		1,332,446
Travel and training		768,750
Repairs and maintenance		151,242
Total operating expenses		68,861,505
Operating loss		(33,713,466)
Non-Operating Revenues (Expenses)		
State operating appropriations		28,853,579
Federal Pell grant revenue		4,547,188
HEERF CARES Act revenue		499,884
Investment income		50,052
Interest expense		(1,335,044)
Building and Innovation tuition remittance		(1,822,662)
Traffic mitigation		(2,083,000)
Net non-operating revenues		28,709,997
Loss before capital appropriations		(5,003,469)
Capital appropriations		2,170,946
Decrease in net position		(2,832,523)
Net Position		
Net position, beginning of year		13,910,028
Net position, end of year	$	11,077,505

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

Statement of Cash Flows

For the Year Ended June 30, 2020

Cash Flows from Operating Activities		
Student tuition and fees, net	$	24,008,433
Grants and contracts		9,275,942
Auxiliary enterprise sales, net		1,675,099
Other revenues		73,312
Payments for employee wages and benefits		(49,358,259)
Payments to vendors		(12,677,347)
Payments for scholarships and fellowship		(7,082,209)
Net cash used by operating activities		(34,085,029)
Cash Flows from Noncapital Financing Activities		
State appropriations		27,960,892
Federal Pell/HEERF grant receipts		4,797,970
Tuition remittance to the State		(1,806,000)
Net cash provided by noncapital financing activities		30,952,862
Cash Flows from Capital Related Financing Activities		
Proceeds from certificate of participation		8,748,042
Capital appropriations		3,871,522
Principal paid on debt		(1,441,266)
Interest paid		(1,515,407)
Purchase of capital assets		(7,223,208)
Net cash provided by capital related financing activities		2,439,683
Cash Flows from Investing Activities		-
Decrease in Cash and Cash Equivalents		(692,484)
Cash and Cash Equivalents, Beginning of Year		23,880,116
Cash and Cash Equivalents, End of Year	$	23,187,632
Reconciliation of Cash and Cash Equivalents:		
Cash and cash equivalents	$	22,187,632
Restricted cash and cash equivalents		1,000,000
Total cash and cash equivalents	$	23,187,632

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

Reconciliation of Operating Loss to Net Cash used by Operating Activities		
Operating Loss	$	(33,713,466)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense		2,158,606
Changes in assets, liabilities and deferrals		
Accounts payable and accrued expenses		(2,126,426)
Accounts receivable, net		(600,130)
Change in other assets		1,800
Compensated absences		196,381
Inventories		126,908
Pension and OPEB adjustments		(616,779)
Prepaid expenses		3,200
Student loans, net		(10,238)
Unearned revenues		495,115
Net cash used by operating activities	$	(34,085,029)
Supplemental Non Cash Activities Information:		
Traffic Mitigation (Noncapital related)	$	2,083,000
Change in Due from State Treasurer (Capital related)		1,700,576
Write-off of depreciated capital assets (Capital related)		1,169,227
Change in Due from State Treasurer (Noncapital related)		916,887
Change in Due to State Treasurer (Noncapital related)		24,200
Change in Due to State Treasurer (Capital related)		16,662

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

Statement of Financial Position

(Component Unit) ***June 30, 2020***

ASSETS		
Current assets		
Cash and cash equivalents	$	645,362
Short-term investments		472,330
Contract receivable, net		109,193
Current portion of promises to give		118,476
Prepaid expenses		2,419
Total current assets		1,347,780
Other assets		
Promises to give, net of current portion		126,776
Long-term investments		4,053,906
Equipment, net		11,983
Total other assets		4,192,665
Total Assets	$	5,540,445
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$	1,757
Contract payable		44,455
Related party payable		37,943
Promises to give		98,284
Total current liabilities		182,439
NET ASSETS		
Without donor restrictions		1,212,142
With donor restrictions		4,145,864
Total net assets		5,358,006
Total Liabilities and Net Assets	$	5,540,445

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

Statement of Activities and Changes in Net Assets

(Component Unit) ***Year Ended June 30, 2020***

	Without Donor Restrictions	With Donor Restricted	Total
Revenues, gains, and other support			
Contributions	$ 564,167	$ 829,302	$ 1,393,469
In-kind contributions	301,794	12,213	314,007
Special events revenue	17,316	88,956	106,272
Contracts revenue	298,090	-	298,090
Other income	-	561	561
Net investment return	6,367	144,382	150,749
Net assets released from restriction	527,892	(527,892)	-
Total revenues, gains, and other support	1,715,626	547,522	2,263,148
Expenses			
Program services			
College program support	569,745	-	569,745
Scholarships	168,859	-	168,859
Total program services	738,604	-	738,604
Support services			
Administration	139,132	-	139,132
Fundraising	27,571	-	27,571
Total support services	166,703	-	166,703
Total Expenses	905,307	-	905,307
Change in net assets	810,319	547,522	1,357,841
Net assets, beginning of year	401,823	3,598,342	4,000,165
Net assets, end of year	$ 1,212,142	$ 4,145,864	$ 5,358,006

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

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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, 2020 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 units, the Shoreline Community College Foundation (Foundation).

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 $399,756 to the College for restricted and unrestricted purposes in 2020. 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

Accounts receivable 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, 2020 were $3,824,716.

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 2020, the College collected $1,475,689 and $346,973 for funds 060 and 561, respectively, for a total of $1,822,662. 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.

Total Pension Liability

The College records a total pension liability equal to the College's share of the total of the State Board (SBCTC) Supplemental Retirement Pension liability. There are no assets backing this liability.

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 three 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** – Includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions placed by the donor or external parties.
>
> **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 the majority of the unrestricted net position for various academic and support functions.

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.

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 of the College's demand deposits are with U.S. Bank which total $23,183,757. 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, 2020
Petty and change funds	$ 3,875
Bank demand	23,183,757
	$ 23,187,632

Cash and cash equivalents include restricted cash and cash equivalents of $1,000,000 on June 30, 2020, which is associated with a requirement by the City of Shoreline Washington as part of a traffic mitigation matter. This restriction was removed in December 2020 when the College and the City of Shoreline executed an agreement on this matter. This is discussed in more detail in Note 19 to these financial statements.

Note 4. Accounts Receivable

Accounts receivable for 2020 consists of the following:

	June 30, 2020
Federal, state, local and private grants	$ 3,244,235
Student tuition and fees	2,826,166
Subtotal	6,070,401
Less allowance for uncollectible accounts	(325,085)
Accounts receivable, net	$ 5,745,316

Note 5. Student Loans Receivable

Student loans consists primarily of loans to nursing students:

	June 30, 2020
Student loans receivable	$ 206,870
Less allowance for uncollectible accounts	(16,283)
Student loans receivable, net	$ 190,587

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, 2020
Merchandise	$ 25,304
Consumable	2,803
	$ 28,107

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2020 is summarized as follows:

	June 30, 2019	Additions	Retirements	June 30, 2020
Non-depreciable Capital Assets				
Land	$ 532,583	$ -	$ -	$ 532,583
Construction in progress	26,422,581	6,565,442	29,840,083	3,147,940
Total non-depreciable assets	26,955,164	6,565,442	29,840,083	3,680,523
Depreciable Capital Assets				
Buildings	61,807,215	28,084,285	-	89,891,500
Improvements other than buildings	580,532	1,755,798	-	2,336,330
Furniture, fixtures, and equipment	7,847,323	638,952	1,169,227	7,317,048
Library resources	189,854	18,814	-	208,668
Total depreciable assets	70,424,924	30,497,849	1,169,227	99,753,546
Accumulated Depreciation				
Buildings	26,587,330	1,558,287	-	28,145,617
Improvements other than buildings	968	82,715	-	83,683
Furniture, fixtures, and equipment	6,166,732	504,394	1,167,427	5,503,699
Library resources	97,938	13,210	-	111,148
Total accumulated depreciation	32,852,968	2,158,606	1,167,427	33,844,147
Capital Assets, Net of Depreciation	$ 64,527,120	$ 34,904,685	$ 29,841,883	$ 69,589,922

The College recorded depreciation expense of $2,158,606 for the year ending June 30, 2020.

Note 8. Compensated Absences

Accrued leave balances as of June 30, 2020 totaled $3,302,444. This consists of unused vacation leave earned by exempt and classified staff in the amount of $1,610,145. Unused sick leave earned by faculty, exempt and classified staff totaled $1,692,299. 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. 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, 2020, the future minimum payments under these lease agreements are as follows:

Year	Amount
2021	$ 76,657
2022	69,386
2023	67,080
2024	55,558
	$ 268,681

The College lease expense totaled $187,530 in 2020.

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 $230,746 on June 30, 2020. Unemployment compensation claims paid totaled $198,900 for 2020. 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, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Certificates of Participation (COPs)	$ 35,389,066	$ -	$ 1,441,266	$ 33,947,800	$ 1,510,703
Unamortized Bond Premium	4,313,680	-	180,363	4,133,317	180,363
Sick Leave	1,626,001	276,007	209,709	1,692,299	-
Vacation Leave	1,480,062	1,257,607	1,127,524	1,610,145	1,610,145
Pension Liabilities	8,943,684	1,364,033	1,246,287	9,061,430	76,309
Other Post-Employment Benefits Liabilities	21,457,168	1,420,568	-	22,877,736	394,482
	$ 73,209,661	$ 4,318,215	$ 4,205,149	$ 73,322,727	$ 3,772,002

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, 2020 are as follows:

Year	Principal	Interest	Total	Bond Premium Amortization
2021	$ 1,510,703	$ 1,692,953	$ 3,203,656	$ 180,363
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
2026-2030	5,830,000	5,763,250	11,593,250	901,815
2031-2035	6,195,000	4,373,750	10,568,750	901,815
2036-2040	7,900,000	2,662,500	10,562,500	901,815
2041-2043	5,755,000	585,000	6,340,000	526,057
	$ 33,947,800	$ 21,063,982	$ 55,011,782	$ 4,133,317

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, 2020, liquidating unused balances, whereas capital projects have commitments that continue into the next fiscal year. The amount of capital project commitments on June 30, 2020 is $1,491,795.

Note 13. Operating Expenses by Function

Operating expenses, by functional category, for the year ended June 30, 2020 is summarized as follows:

Instruction	$ 27,485,261
Institutional support	9,289,360
Student services	9,107,040
Scholarship, fellowships and other aid	7,082,209

Academic support	6,064,518
Operation and maintenance	5,012,782
Auxiliary enterprises	2,661,729
Depreciation	2,158,606
	$ 68,861,505

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, and procurement, payroll, advancement, and community relations.

Auxiliary Enterprises

Auxiliary enterprises furnish goods and services to students, staff, and the general 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	$ 1,915,554	$ (2,089,245)
Pension plan administered by the SBCTC	1,656,891	(964,701)
Other post-employment benefits	2,335,527	(8,730,857)
	$ 5,907,972	$ (11,784,803)

Plans Administered by DRS

The $1,436,751 reported as deferred outflows of resources for 2020 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, 2020, and is detailed in the following table:

Deferred Outflows	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Employer contributions	$ 482,840	$ 776,746	$ 89,425	$ 87,740	$ 1,436,751

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*
2021	$ (36,688)	$ (297,146)	$ (6,829)	$ (20,971)
2022	(86,904)	(538,744)	(17,860)	(37,064)
2023	(31,013)	(212,871)	(6,280)	(14,925)
2024	(11,590)	(92,166)	(2,299)	(6,719)
Total	$ (166,195)	$ (1,140,927)	$ (33,268)	$ (79,679)

Changes in Proportionate Share of Pension Liabilities

	PERS Plan 2/3	TRS Plan 2/3
Recognition Period (Years)	7.1**	9.6**

Year Ended June 30:	(Inflows)	Outflows	(Inflows)	Outflows
2021	$ (25,227)	$ 26,167	$ (953)	$ 11,032
2022	(25,227)	21,016	(953)	5,040
2023	(25,227)	21,016	(953)	4,093
2024	(25,227)	21,016	(953)	4,093
2025	(25,227)	6,306	(953)	4,093
Thereafter	(11,688)	-	(1,713)	11,329
Total	$ (137,823)	$ 95,521	$ (6,478)	$ 39,680

Differences Between Expected and Actual Experience

	PERS Plan 2/3		TRS Plan 2/3	
Recognition Period (Years)	7.1**		9.6**	
Year Ended June 30:	**(Inflows)**	**Outflows**	**(Inflows)**	**Outflows**
2021	$ (39,179)	$ 44,209	$ (2,121)	$ 10,092
2022	(30,795)	44,209	(849)	7,819
2023	(30,795)	44,209	-	7,819
2024	(30,795)	44,209	-	7,819
2025	(30,795)	26,668	-	7,819
Thereafter	(6,159)	21,063	-	22,803
Total	$ (168,518)	$ 224,567	$ (2,970)	$ 64,171

Changes of Assumptions

	PERS Plan 2/3		TRS Plan 2/3	
Recognition Period (Years)	7.1**		9.6**	
Year Ended June 30:	**(Inflows)**	**Outflows**	**(Inflows)**	**Outflows**
2021	$ (63,243)	$ 5,372	$ (3,185)	$ 4,448
2022	(63,243)	2,952	(3,185)	4,155
2023	(63,243)	2,952	(3,185)	3,969
2024	(63,243)	2,952	(3,185)	3,969
2025	(63,243)	2,814	(3,185)	3,969
Thereafter	(12,651)	3,029	(8,596)	14,283
Total	$ (328,866)	$ 20,071	$ (24,521)	$ 34,793

*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 2020 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	$ 425,420	$ (664,022)
Changes of assumptions	1,001,885	(180,580)
Changes in College's proportionate share of pension liability	229,586	(120,099)
	$ 1,656,891	$ (964,701)

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
2021	$ 64,205
2022	64,205
2023	64,205
2024	123,349
2025	212,099
Thereafter	164,127
	$ 692,190

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	$ 1,330,137	$ (6,633,242)
Changes in experience	610,908	-
Transactions after the measurement date	394,482	-
Changes in proportionate share of liability	-	(2,097,615)
	$ 2,335,527	$ (8,730,857)

The deferred outflow in the amount of $394,482 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)	Outflows
2021	$ (998,243)	$ 200,174	$ (315,672)	$ 91,936
2022	(998,243)	200,174	(315,672)	91,936
2023	(998,243)	200,174	(315,672)	91,936
2024	(998,243)	200,174	(315,672)	91,936
2025	(998,243)	200,174	(315,672)	91,936
Thereafter	(1,642,027)	329,267	(519,255)	151,228
Total	$ (6,633,242)	$ 1,330,137	$ (2,097,615)	$ 610,908

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:

2020	PERS 1	PERS 2/3	TRS 1	TRS 2/3
Total pension liability	$ 7,566,786	$ 35,104,881	$ 1,463,966	$ 2,534,227
Plan fiduciary net position	(5,079,149)	(34,321,059)	(1,030,181)	(2,441,937)
Net pension liability	$ 2,487,637	$ 783,823	$ 433,785	$ 92,290
Plan fiduciary net position as percentage of total pension liability	67.12%	97.77%	70.37%	96.36%

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, 2019 and 2018, are as follows:

	7/1/2018 thru 8/31/2018		9/1/2018 thru 6/30/2019		7/1/2019 thru 8/31/2019		9/1/2019 thru 6/30/2020	
PERS	**Employee**	**College**	**Employee**	**College**	**Employee**	**College**	**Employee**	**College**
Plan 1	6.00%	12.70%	6.00%	12.83%	6.00%	12.86%	6.00%	12.83%
Plan 2	7.38%	12.70%	7.41%	12.83%	7.90%	12.86%	7.41%	12.83%
Plan 3	5.00-15.00% *	12.70% **	5.00-15.00% *	12.83% **	5.00-15.00% *	12.86% **	5.00-15.00% *	12.83% **
TRS								
Plan 1	6.00%	15.20%	6.00%	15.41%	6.00%	15.41%	6.00%	15.51%
Plan 2	7.06%	15.20%	7.06%	15.41%	7.06%	15.41%	7.70%	15.51%
Plan 3	5.00-15.00% *	15.20% **	5.00-15.00% *	15.41% **	5.00-15.00% *	15.41% **	5.00-15.00% *	15.51% **

*Variable from 5% to 15% based on rate selected by the employee
**Plan 3 defined benefit portion only

The rates presented above for the College (employer) contributions, include an administrative fee of 0.18% charged by the Department of Retirement System for their administrative costs.

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, 2020 and 2019, the annual money weighted rate of return on the pension investments, net of pension plan expenses are as follows:

	Rate of Return	
Pension Plan	**2020**	**2019**
PERS Plan 1	4.49%	8.68%
PERS Plan 2/3	4.55%	8.89%
TRS Plan 1	4.48%	8.65%
TRS Plan 2/3	4.57%	8.93%

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 $238,095 for 2020. The following tables shows the components of each year's pension plan expenses:

2020 Pension Expense	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Actuarial determined pension expense	$ 119,764	$ 167,734	$ 21,202	$ 54,238	$ 362,938
Amortization of change in proportionate liability	(137,147)	(15,305)	5,196	22,413	(124,843)
Total pension expense	$ (17,383)	$ 152,429	$ 26,398	$ 76,651	$ 238,095

Changes in Proportionate Shares of Pension Liabilities

The changes, increases or (decreases), to the College's proportionate share of pension liabilities from 2019 to 2020 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
2020	0.066828%	0.083945%	0.017146%	0.015013%
2019	0.064692%	0.080695%	0.017521%	0.015317%

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	$ 3,115,314	$ 2,487,637	$ 1,943,045
PERS Plan 2/3	6,011,610	783,823	(3,497,852)
TRS Plan 1	554,427	433,785	329,137
TRS Plan 2/3	502,972	92,290	(241,622)

On June 30, 2020, the College reported a total collective liability of $3,797,535 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, 2018 with the results rolled forward to June 30, 2019, 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) 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 employer defined contribution plan which covers most faculty, professional and exempt staff. 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, 2020 were $1,902,030 and $1,903,494 , respectively. All required employer and employee contributions have been made by the College.

Membership of the State Board Supplemental Retirement Plans consisted of the following on June 30, 2019, 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**
4	6	187	197

The following table presents the change in total pension liability of the State Board Supplemental Retirement Plan on June 30, 2020:

Schedule of Changes in Total Pension Liability

		Amount
Service Cost	$	126,198
Interest		141,961
Changes of Benefit Terms		-

Differences Between Expected and Actual Experience		299,108
Changes in Assumptions		799,206
Benefit Payments		(64,073)
Change in Proportionate Share of TPL		35,325
Other		-
Net Change in Total Pension Liability		1,337,725
Total Pension Liability - Beginning		3,926,170
Total Pension Liability - Ending	$	5,263,895

Pension Expense

Pension expense for the year ended June 30, 2020 was $ 332,360 as detailed in the table below:

Proportionate Share (%)		**3.58880%**
Service Cost	$	126,198
Interest		141,958
Amortization of Differences Between Expected and Actual Experience		(90,782)
Amortization of Changes of Assumptions		132,806
Changes of Benefit Terms		-
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		310,180
Amortization of the Change in Proportionate Share of TPL		22,180
Total Pension Expense	$	332,360

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

1% Decrease (2.50%)	**Current Discount Rate (3.50%)**	**1% Increase (4.50%)**
$ 6,053,020	$ 5,263,895	$ 4,613,729

Note 17. Other Post-Employment Benefits (OPEB)

In addition to pension benefits as described in Note 15, the state, through the Health Care Authority (HCA) administers an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan.

The Public Employees' Benefits Board (PEBB), created within HCA, is authorized to design, and determined the terms and conditions of employee and retired employee participation and coverage. PEBB established eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life and long-term disability.

The relationship between PEBB OPEB and its member 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. The understanding is based on communication between the HCA, employers and plan members, and the historical pattern of practice regarding sharing of benefit costs.

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

Summary of Plan Participants As of June 20, 2019	
Active employees	513
Retirees receiving benefits	210
Retirees not receiving benefits	25
Total active employees and retirees	748

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

Required Premium		
Medical	$	1,100
Dental		81
Life		4
Long-term disability		2
Total	$	1,187
Employer contribution	$	1,025
Employee contribution		162
Total	$	1,187

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

The state reported a total OPEB liability of $5.81 billion. The College's proportionate share of the total OPEB liability is $22,877,736. This liability was determined based on a measurement date of June 30, 2019.

The College was billed and paid approximately $5.46 million for active and retiree healthcare expenses in 2020.

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.75%

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

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

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

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

The total OPEB liability was determined using the following methodologies:

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

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.87 percent for the June 30, 2018 measurement date and 3.5 percent for the June 30, 2019 measurement

As of June 30, 2020, the components of the calculation of total OPEB liability are represented in the following table:

Proportionate Share (%)		**0.3941814352%**
Service Cost	$	926,333
Interest Cost		803,542
Differences between Expected and Actual Experience		-
Changes in Assumptions		1,496,404
Changes in Benefit Terms		-
Benefit Payments		(367,572)
Changes in Proportionate Share		(1,438,139)
Other		-
Net Change in Total OPEB Liability		1,420,568

Total OPEB Liability - Beginning		21,457,168
Total OPEB Liability - Ending	$	22,877,736

The following represents the total OPEB liability of the College, calculated using the discount rate of 3.5 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5 percent) or 1 percentage point higher (4.5 percent) than the current rate:

Discount Rate Sensitivity		
1% Decrease	**Current Rate**	**1% Increase**
$ 27,704,172	$ 22,877,736	$ 19,129,024

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

Health Care Cost Trend Rate		
1% Decrease	**Current Rate**	**1% Increase**
$ 18,516,053	$ 22,877,736	$ 28,747,898

The PEBB calculates the premium amounts each year that are sufficient to fund the statewide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based on active employee headcounts; the agencies pay the premium for active employees to the HCA. Agencies may charge employees for certain higher costs options selected by the employee. Retirees may elect coverage through the HCA, for which they pay less than the full cost of the benefits, based on their age and other demographics factors. The healthcare premiums for active employees, which are paid by the agency during the employees' working career, subsidize the "underpayments" of retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums to retirees covered by Medicare (an "explicit" subsidy). This explicit subsidy is also passed through to state agencies via active employee rates charged to the agency. There is no formal state or College plan that underlies the subsidy of retiree health and life insurance.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement systems: PERS, TRS and Higher Education are the retirement plans currently used by College employees and retirees.

Retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between age-base claims cost and the premium. In calendar year 2019, the average weighted implicit subsidy is projected at $367 per member per month. In calendar year 2020 the average weighted implicit subsidy is projected to be $373 per member per month. Retirees who are enrolled in both Part A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for next year's explicit subsidy for inclusion in the Governor's budget. In calendar year 2019, the explicit subsidy is $168 per member per month. It is projected to increase to $183 per member per month in calendar year 2020.

For the year ending June 30, 2020, the College will recognize OPEB expense of $708,068. OPEB expense consists of the following elements:

Proportionate Share (%)		**0.3941814352%**
Service Cost	$	926,333
Interest Cost		803,541
Amortization of Differences between Expected and Actual Experience		87,273
Amortization of Changes in Assumptions		(837,804)
Changes in Benefit Terms		-
Amortization of Changes in Proportion		(271,275)
Administrative Expenses		-
Total OPEB Expense	$	708,068

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

The College and the city of Shoreline, Washington "City", reached an agreement in December 2020 on the matter of traffic mitigation associated with the College's construction of buildings which the City contends will have an impact on traffic at an intersection owned and managed by the City. This agreement required the College pay the City $2,083,000 which relieves the College of all future claims on the traffic mitigation matter. Leading up to this agreement, the College and the City agreed that the College would put $1 million in a restricted bank account pending the resolution of this matter. The restriction on the $1 million cash balance was lifted by the City in December 2020.

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	8,944,745	27.81%	67.12%
2020					
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					
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	1,167,191	37.16%	70.37%
2020					
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	1,022,469	9.03%	96.36%
2020					
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	-	9,811,002	4.94%
2021					
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	$ -	$ 6,914,574	4.90%
2015	373,487	373,487	-	7,533,204	4.96%
2016	501,171	501,171	-	8,073,538	6.21%
2017	547,251	547,251	-	8,656,907	6.32%
2018	666,908	666,908	-	8,817,033	7.56%
2019	658,651	658,651	-	8,885,282	7.41%
2020	773,327	773,327	-	9,764,230	7.92%
2021					
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	-	1,080,683	8.33%
2021					
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					
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
State Board Retirement Plan (SBRP)

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

	2017	2018	2019	2020
Total Pension Liability - Beginning	$ 4,065,469	$ 3,265,444	$ 3,217,752	$ 3,926,170
Service Cost	186,101	141,263	101,420	126,198
Interest	120,724	129,820	122,677	141,961
Difference between expected and actual experience	(870,419)	(383,961)	231,291	299,108
Changes in assumptions	(205,443)	(129,894)	434,892	799,206
Benefit payments	(30,988)	(47,986)	(64,676)	(64,073)
Changes in proportionate share	-	243,066	(117,186)	35,325
Total Pension Liability - Ending	$ 3,265,444	$ 3,217,752	$ 3,926,170	$ 5,263,895
College's Proportion of the Pension Liability	3.435501%	3.691225%	3.556796%	3.588798%
College's Covered Payroll	$ 19,079,386	$ 20,777,044	$ 20,485,474	$ 21,587,243
Total Pension Liability as a percentage of of covered-employee payroll	17.115037%	15.487054%	19.165629%	24.384286%

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

Note to Supplemental Defined Benefit Plan

The State Board Supplemental Retirement Plans 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.

OPEB INFORMATION

Cost Sharing Healthcare Plans

Schedules of the College's changes in Total OPEB Liability

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

	2018	2019	2020
Total OPEB Liability - Beginning	$ 26,889,571	$ 24,978,806	$ 21,457,168
Service Cost	1,693,411	1,341,535	926,333
Interest	793,204	922,298	803,542
Difference between expected and actual experience	-	841,879	-
Changes in assumptions	(3,869,263)	(,873,044)	1,496,404
Benefit payments	(404,230)	(389,534)	(367,572)
Changes in proportionate share	(123,887)	(364,772)	(1,438,139)
Total OPEB Liability - Ending	$ 24,978,806	$ 21,457,168	$ 22,877,736
Covered-employee payroll	30,323,246	30,198,245	31,225,222
Total OPEB Liability as a percentage of covered-employee payroll	82.38%	71.05%	71.24%

* 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.

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

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