Edmonds College Financial Report for Fiscal Year 2020-2021

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The College would also like to acknowledge the following staff responsible for the content of the Management's Discussion and Analysis and the Notes to the Financial Statements sections of the report:

Nerm Edwards, Interim Director of Finance
Geni Teague, Director of Accounting

For information about the data included in this report, contact:

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Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Edmonds College

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

Published May 1, 2023

Report No. 1032429

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Office of the Washington State Auditor
Pat McCarthy

May 1, 2023

Board of Trustees
Edmonds College
Lynnwood, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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

TABLE OF CONTENTS

Edmonds College
July 1, 2020 through June 30, 2021

2021-001 Edmonds College lacked adequate internal controls for ensuring accurate preparation and review of its financial statements and related schedules.

Background

The State Board for Community and Technical Colleges (SBCTC) oversees community colleges throughout the state, providing general guidance and centrally tracked financial statement figures. College management, however, is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. These controls should ensure the College follows all generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) statements.

Description of Condition

Our audit identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness. The College's financial preparation and review process did not ensure that the financial statements were accurate, complete and in accordance with GAAP. Specifically, the College did not:

- Perform monthly reconciliations between the general ledger and bank statements
- Adequately research accounting requirements to properly report student receivables
- Effectively review capital asset activity to ensure related balances reported all existing assets, and that the assets were classified in accordance with accounting standards
- Ensure the financial statements and related schedules submitted for audit were final and agreed to underlying accounting records

Cause of Condition

The College converted its general ledger software systems in February 2021, and it experienced significant turnover in key financial positions shortly after. Staff responsible for preparing and reviewing the financial statements were new to their positions, and they did not have sufficient training or resources to complete a detailed, centralized review of completed financial statements and related schedules.

Effect of Condition

We found the following errors in the College's financial statements:

- The College did not perform required bank reconciliations after its general ledger conversion in February 2021. At the request of our Office, the College performed retroactive bank reconciliations, resulting in a seven-month audit delay. After reviewing the College's reconciliations and source records, the audit found cash and investments reported on the financial statements were understated by $6,945,777. Of this amount, the College was unable to provide an explanation for an unreconciled variance of $147,917.
- The College did not complete a monthly review of aging receivables, and it did not adjust the ending balances for amounts not earned within the reporting period. As a result, amounts for accounts receivable and unearned revenue were overstated by $3,594,144.
- The College did not reclassify Hazel Miller Hall upon substantial completion of the construction project, resulting in a material misclassification error of $48,759,849 between depreciable and non-depreciable assets. As a result of this error, the reported depreciation expense was also understated by $796,027.

Additionally, at the start of the audit, the College provided a set of final financial statements and, during our audit planning procedures, we identified several errors as follows:

- The College overstated amounts for accounts receivable by $2,022,386.
- The College incorrectly classified $1,867,874 between short-term and long-term compensated absences.
- The College did not report $186,569 in cash restricted for institutional financial aid.

The College subsequently corrected the errors noted above, except for the error related to the cash and investment balances.

Recommendation

We recommend the College dedicate the necessary time and resources to:

- Develop and maintain internal control processes to ensure staff perform monthly bank reconciliations
- Ensure employees responsible for preparing financial information have adequate training and resources to present financial statements and schedules accurately, completely, and in compliance with GAAP
- Implement an effective review process over the financial statements and related schedules to ensure errors are identified and corrected before submitting them for audit

College's Response

The State Auditor's Office (SAO) has provided an accurate description of the primary conditions leading to errors in the College's financial statements. The College's conversion to the new enterprise resource planning (ERP) system; significant turnover in key financial positions shortly after implementation; changes from the legacy system's cash basis to accrual basis for accounting; and the technological inability in the ERP to execute processes accurately in bank reconciliation and asset management for the reclassification of Hazel Miller Hall led to the recommendations that the SAO made.

Edmonds College recognizes the importance of a strong internal control environment and takes very seriously the identification of a weakness in the college's controls over financial reporting. The College appreciates the opportunity to respond to this finding. Corrective actions were initiated as soon as the weakness was identified, prior to the conclusion of the financial statement audit.

- *The College continues to produce updated training documents and processes that align with the College's new ERP system, which was implemented four months before the end of FY21 and with incomplete documentation (particularly around bank reconciliation). The new ERP has required a complete restructuring of internal business processes.*
- *Following the close of FY21, the College has developed a more effective process for bank reconciliation. This process is labor intensive given the limitations of the current ERP system. However, the College continues to collaborate with the State Board for Community and Technical Colleges (SBCTC) to identify issues swiftly and provide feedback, as the SBCTC is developing enhancements to improve the bank reconciliation tools.*
- *The College has filled vacant positions in its business office. In addition, the College's business office has restructured to ensure a collaborative approach is taken to troubleshoot issues that may arise from the implementation of the new ERP system.*

- *Business Office employees attend regularly-held Budget, Accounting, and Reporting (BAR) Council meetings, which provide training and support within the community and technical college system in the state.*
- *The College's business office employees are also participants in state, cross-pillar ERP working groups which (a) work to identify subledger transaction details to map them to the general ledger and (b) discuss how best to reconcile.*
- *The College's business office has provided professional development opportunities to employees in order to expand their knowledge and to provide resources available to them regarding GAAP.*
- *The College has provided regularly-held training sessions (open to all employees) regarding how the business and accounting aspects of the new ERP work, as a way to educate all users' understandings of the importance that the new ERP emphasizes on accurate, front-end data entry.*
- *In addition, the College has contracted with a consultant and regularly verifies financial data with the State Board for Community and Technical Colleges.*

Auditor's Remarks

We appreciate the College's commitment to resolve this finding and thank the College for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

The Office of Financial Management's *State Administrative and Accounting Manual* (SAAM), Section 20.15 establishes the responsibilities for identifying risks and establishing, maintaining, and reviewing agency internal control systems.

INDEPENDENT AUDITOR'S REPORT

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

Edmonds College
July 1, 2020 through June 30, 2021

Board of Trustees
Edmonds College
Lynnwood, 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 Edmonds College, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 13, 2023.

Our report incudes a reference to other auditors who audited the financial statements of Edmonds College 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 Edmonds College 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 Edmonds College Foundation.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001 that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to the management of the College in a separate special investigation report dated December 15, 2022.

COLLEGE'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 13, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Edmonds College
July 1, 2020 through June 30, 2021

Board of Trustees
Edmonds College
Lynnwood, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Edmonds College, as of and for the year then ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the financial section of our report.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Edmonds College, as of June 30, 2021, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Edmonds College Foundation (the Foundation), which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, 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 other auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Edmonds College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2021, the changes in its financial position, or where applicable its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 13.C to the financial statements, legislation created a trust arrangement for assets dedicated to paying the Higher Education Supplemental Retirement Plan benefits to plan members. As a result, the College transitioned to accounting for the plan in accordance with Governmental Accounting standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our Opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2023 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

April 13, 2023

FINANCIAL SECTION

Edmonds College
July 1, 2020 through June 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

Edmonds College

The following discussion and analysis provides an overview of the financial position and activities of Edmonds College (the College) for the fiscal year ended June 30, 2021 (FY 2021). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Edmonds College is one of thirty public, community and technical college districts in the state of Washington that provides comprehensive, open-door academic programs, workforce education, basic skills, and community service educational programs. The College was established in 1967, and its mission is: Teaching | Learning | Community. The College confers two applied baccalaureate degrees (with approval to offer three more), as well as associate degrees, certificates, and high school diplomas.

The College's main campus is located in South Snohomish County serving the growing communities of Edmonds, Lynnwood, Mountlake Terrace, Brier, Mill Creek, Mukilteo, and Woodway. The College also has operations at the Monroe Correctional Complex in Monroe, WA, the Advanced Manufacturing Skills Center and Washington Aerospace Training & Research Center in Everett, WA, and eight Head Start facilities throughout Snohomish County. The College serves approximately 14,000 students annually.

The College is governed by a six member Board of Trustees appointed by the governor of the state with the consent of the state Senate, including a Governor-appointed student trustee who is prohibited from voting on personnel or collective bargaining matters. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit, the Edmonds College Foundation. The College's financial statements include:

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

The Statement of Net Position provides information about the College at a moment in time, as of June 30, 2021. The Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the College's financial health.

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

Statement of Net Position

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

Condensed Statement of Net Position As of June 30, 2021	FY 2021	FY 2020
Assets		
Current Assets	29,782,235	23,286,277
Capital Assets, net	124,260,645	127,518,672
Other Assets, non-current	15,103,677	16,845,795
Total Assets	**169,146,557**	**167,650,744**
Deferred Outflows of Resources	8,283,366	8,313,506
Liabilities		
Current Liabilities	10,364,203	11,302,925
Other Liabilities, non-current	46,692,288	53,383,028
Total Liabilities	**57,056,492**	**64,685,953**
Deferred Inflows of Resources	18,257,253	16,805,846
Net Position		
Net Investment in Capital Assets	119,916,808	122,560,685
Restricted	186,568	88,281
Unrestricted (Deficit)	(17,987,197)	(28,176,515)
Total Net Position	**102,116,179**	**94,472,451**

Current assets consist primarily of cash, investments and various accounts receivables. The significant increase of current assets in FY 2021 can be attributed primarily to the increase in the Accounts Receivable. See Note 4 for more details.

Before the closing of the FY 2021, the College created invoices to bill organizations, federal and state agencies, and other organizations on services rendered following the accrual basis of accounting. With the conversion to the new college-wide system, ctcLink program (i.e., Oracle's PeopleSoft applications) by the State Board of Community & Technical Colleges (SBCTC), the process of recording student enrollments has changed. A student account is charged automatically upon enrollment to any classes regardless whether the tuition or the class fees are paid. The system creates a Student Financial Tuition/Fee Receivable that will be reversed once the tuition or class fees are paid or the student drops from the class.

Net capital assets decreased by $3,258,027 (or 3%) from FY 2020 to FY 2021. After taking into consideration current depreciation expense of nearly $5M, the decrease is primarily the result of the construction of Hazel Miller Hall (formerly known as the STEM and Nursing building), whose "Certificate of Occupancy" was issued August 25, 2020. Reclassification/capitalization of the Hazel Miller Hall building was originally pending as of June 30, 2021. But, at the request of the State Auditors Office, adjustments have been made to the financial statements to reclassify/capitalize Hazel Miller Hall building.

Non-current assets consist primarily of long-term investments. There was a decrease of $1.7M (or 10%) from FY 2020 to FY 2021. As the economy slowed down significantly due to the global COVID-19 pandemic, interest rates decreased sharply and many issuers took the opportunity to redeem their higher-interest debt, then re-finance in subsequent placements at lower rates.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and other post-employment benefits (OPEB) associated with the implementation of GASB 68 in FY 2015, GASB 73 in FY 2017, and GASB 75 in FY 2018. The change in deferred outflows and deferred inflows reflects the College's proportionate share of the change in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to the timing of transactions and differences between expected and actual experience related to the actuarial assumptions and investment earnings. The College recorded $8,283,366 in FY 2021 and $8,313,506 in FY 2020 of pension and post-employment-related deferred outflows; deferred inflows for the College from these plans totaled $18,257,253 in FY 2021 and $16,805,846 in FY 2020. Similarly, the increase in deferred inflows in FY 2021 reflects the difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others, and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. The decrease in current liabilities by $900K (from $11.3M in FY 2020 to $10.4M in FY 2021) was a result of a decrease in compensated absences, current portion of $1.3M; an increase in accounts payable for $800K; and a decrease in unearned revenue of $700K. At the end of the fiscal year, the College records unearned revenue for enrollments made by students as of June 30, 2021 but are for the Summer and Fall quarters of the following fiscal year. The Student Financial Tuition/Fee Receivable is offset by the Unearned Revenue in the Statement of Net Position.

Non-current liabilities primarily consist of the long-term portion of vacation and sick leave earned but not yet used by employees, the long-term portion of COP debt, and the long-term pension and OPEB liabilities. The College's non-current liabilities decreased due to the College's proportionate share of changes in state-wide amounts for OPEB. Total pension and OPEB liability (longer term) for FY 2021 is calculated at $40.5M while FY 2020 was at $46M. The College's non-current liabilities associated with COPs decreased by $644k as a result of reclassifying the amount due to be paid in FY 2022 as current and will continue to decrease as the College pays down the principal owed for buildings and equipment, with the exception of any new COPs that may be acquired.

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

> ***Net Investment in Capital Assets –*** This represents the College's total investment in property, plant, equipment, and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.
>
> ***Restricted Assets –***
>
>> ***Nonexpendable –*** A donor or external party has imposed the restriction that the corpus or principal is not available for spending but for investment purposes only. Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Edmonds College Foundation. As a result, the college is not reporting any balance in this category.
>>
>> ***Expendable –*** The College is legally or contractually obligated to spend these resources in accordance with restrictions placed by donors or external parties who have placed time or

purpose restrictions on the use of the assets. The primary restricted expendable funds for the College are for Institutional Financial Aid.

Unrestricted Assets – This category includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees. The College has a board-approved $3.2M reserved for emergencies and other purposes, which is maintained in the Debt Service Reserve account.

Condensed Net Position, as of June 30th	**FY 2021**	**FY 2020**
Net Investment in Capital Assets	119,916,808	122,560,685
Restricted - Expendable	186,568	88,281
Unrestricted (deficit)	(17,987,197)	(28,176,515)
Total Net Position	**102,116,179**	**94,472,451**

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the College's changes in total net position during FY 2021. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains and losses of the College.

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

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

A condensed comparison of the College's Statement of Revenues, Expenses, and Changes in Net Position for the years ending June 30, 2021 and 2020 is presented as follows:

Condensed Statement of Revenue, Expenses & Changes in Net Position, as of June 30th	**FY 2021**	**FY 2020**
Operating Revenues		
Student tuition and fees, net	27,804,828	33,229,357
Auxiliary enterprise sales	3,510,410	3,543,552
Grants and contracts	32,441,984	30,208,583
Other operating revenues	987,612	1,214,197
Total Operating Revenues	64,744,835	68,195,689
Non-Operating Revenues		
State appropriations	33,722,290	30,530,526
Federal Pell grant revenue	5,035,661	6,245,224
Other non-operating revenue	3,491,835	907,874
Investment income, net	23,262	590,879
Total Non-Operating Revenues	42,273,048	38,274,503
Total Revenues	107,017,883	106,470,192
Operating Expenses		
Salaries and benefits	61,814,061	68,079,483
Scholarships, net of discounts	10,195,824	11,445,619
Depreciation	4,931,544	4,342,689
All other operating expenses	23,132,937	24,848,014
Total Operating Expenses	100,074,366	108,715,805
Non-Operating Expenses		
Building fee remittance	1,405,569	1,528,577
Innovation fund remittance	352,264	376,422
Other non-operating expenses	247,899	280,802
Total Non-Operating Expenses	2,005,732	2,185,801
Total Expenses	102,080,099	110,901,606
Excess (deficiency) before capital contributions	4,937,784	(4,431,414)
Capital appropriations	2,509,609	25,236,830
Change in Net position	7,447,393	20,805,416
Net Position		
Net position, Beginning of Year	94,472,451	73,667,035
Prior period adjustments	196,335	
Net position, beginning of year, as restated	94,668,786	
Net position, End of Year	**102,116,179**	**94,472,451**

Revenues

The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates amounts to each college. In FY 2021, the SBCTC allocated funds to each of the 34 college's based on 3 year average full-time equivalent (FTE) actuals. Additionally, the Supplemental Budget also reduced the general fund by the amount set aside specifically for Pension Stabilization. Total appropriations increased by nearly $3M due to state-funded compensation increases and additional provisos for targeted programs. Allocations usually do not carry forward to future years.

A 2.5% increase in tuition was approved for FY 2021. In FY 2022, a 2.8% tuition increase will be effective beginning with fall quarter.

Tuition and fee revenue in FY 2021 decreased by $5.4 M (or by 16 %), compared with FY 2020. This decrease aligns with decreased enrollments in FY 2021, which resulted in the College falling short of its state target by 993 FTEs in FY 2021. Strained by various national and global political, economic, and social pressures, not to mention a global pandemic that caused a suite of related issues, the College's international program also experienced lower enrollment, losing approximately 235 contract FTEs in FY 2021. In other contracted, community service, and other miscellaneous categories, FTEs dropped by approximately 283. Notably, state-supported programs experienced sharp decreases, such as WorkFirst (39% reduction from FY 2020), I-BEST (15%), and BEdA (16%). These declines are comparable to what the College experienced in FY 2020 and are attributed to the effects of COVID-19 since March 2020. Overall, in FY 2021 the total number of FTEs decreased by 844.

Pell grant revenues generally follow enrollment trends. As the College's enrollment softened during FY 2021, so did the College's Pell Grant revenue. For FY 2021, the College attempted to hold other fees as stable as possible, resulting in a decrease in these revenues consistent with the decrease in tuition revenue. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law.

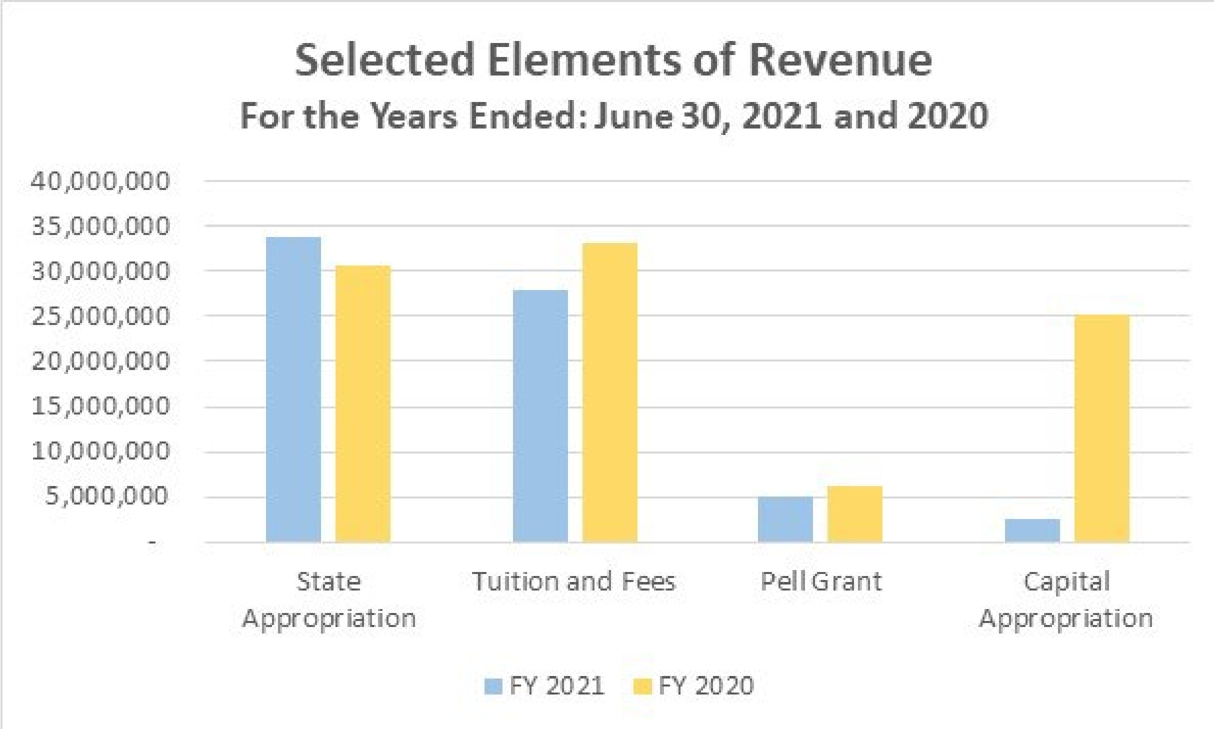
Like in late FY 2020, in FY 2021 the College also received funding from the Federal CARES Act in order to offset some of the costs of responding to the COVID-19 pandemic. During both FY 2020 and FY 2021, the College was awarded CARES Act funding for both institution and student purposes. In total, about $11.2M of institutional funds and $8.2M of student funds have been received. The College spent some CARES funds in both FY 2020 and FY 2021 and has until FY 2022 to expend remaining CARES funds. The student funds are given directly to students; while the institutional funds may be used for qualified institutional expenses and to cover lost revenue.

The College continues to manage one of the highest amounts of grant and contract dollars for any community college in the state. In FY 2021, grant and contract revenues increased by $2.2M when compared with FY 2020. This increase includes a competitive, federal Title III Strengthening Institutions grant that the College was awarded in FY 2021. That grant will assist the College to further increase student access, progression, and completion efforts.

In FY 2021, the College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College also serves contracted international students who are not supported by state dollars.

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

The chart below show the dollar amount for selected elements of revenue for FY2021 and FY2020



Expenses

Faced with severe budget cuts over the past several years, the College has continuously sought opportunities to identify savings and efficiencies. In FY 2021, salary and benefit costs decreased by $6.3M (or 9%), despite a 2% salary increase by the Legislature. This is primarily due to the College not refilling vacant positions; due to a College-imposed 10 days of furlough for full-time employees; and due to the needs for fewer part-time faculty members due to declining enrollments.

In FY 2021, utility costs also decreased by $152K (or 11%), due to targeted efforts to reduce use (in spite of rate increases from utility providers) and due the majority of employees working remotely due to the COVID-19 pandemic.

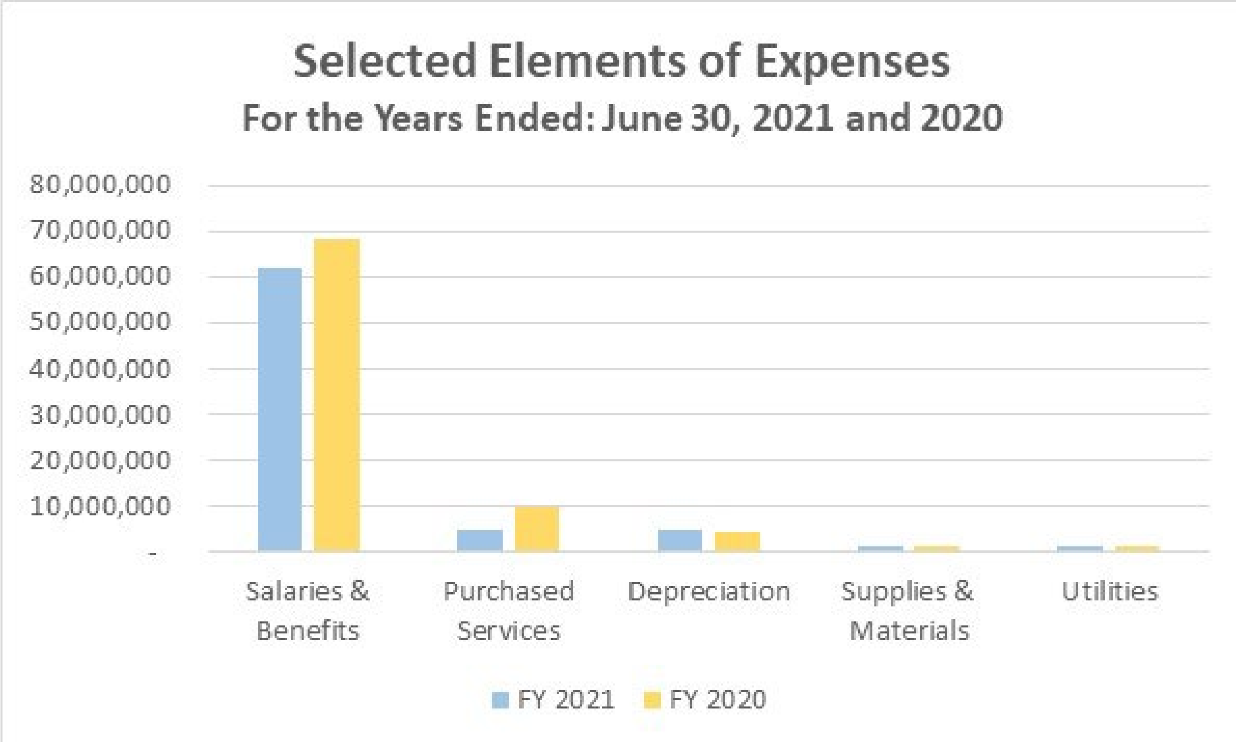
Supplies and materials and purchased services were also significantly lower in FY 2021, down by $4.9M (or 43%), primarily as a result of reductions of on-campus services and personnel (as due to COVID-19) and as a result of the ongoing pursuit of operational efficiencies. Some of those intentional decreases are offset by certain capital project costs that do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs.

Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing an increase in any year when large depreciable assets (such as a new building) are placed in service, or conversely, a decrease whenever assets have reached the end of their depreciable lives.

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

Comparison of Selected Operating Expenses by Function

The chart below shows the dollar amount for selected functional areas of operating expenses for FY 2021 and FY 2020.



Capital Assets and Long-Term Debt Activities

The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for biennially appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed.

As of June 30, 2021, the College had invested $124,260,645 in capital assets, net of accumulated depreciation. This represents a decrease of nearly $3.3M from last year, as shown in the table below.

Asset Type	June 30, 2021	June 30, 2020	Change
Land	6,326,372	6,326,372	0
Construction in Progress	0	47,096,138	(47,096,138)
Buildings, net	112,678,444	67,928,469	44,749,975
Other Improvements/Infrastructure, net	3,775,530	4,091,261	(315,731)
Equipment, net	1,447,438	2,033,524	(586,086)
Library Resources, net	32,862	42,908	(10,046)
Total Capital Assets, Net	**124,260,645**	**127,518,672**	**(3,258,027)**

The decrease in net capital assets can be attributed to the completion of the Hazel Miller Hall by the end of FY 2021.

As of June 30, 2021, the College had $4,343,837 in outstanding debt on capital assets compared to $4,957,986 as of June 30, 2020. The decrease is due to the short term service payment of $614,149. The College has no other capital leases at this time.

Additional information of notes payable, long term debt and debt service schedules can be found in Notes 11 and 12 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

As the College continues to be affected by the COVID-19 pandemic, a significant decrease in enrollments has been experienced. The College will be looking closely at budgets and ways to innovate instruction to attract more students.

Despite COVID-19 related challenges, the College has made significant progress in creating additional opportunities for students. Most notably, the College’s first four-year degree program, the Bachelor of Applied Science in Child, Youth, and Family Studies, graduated its third cohort in spring quarter of 2021. Four more BAS degrees have received SBCTC approval and are slated to be implemented beginning in FY 2022. Statewide growth for the additional programs bodes well for future enrollment.

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

EDMONDS COLLEGE
Statement of Net Position
June 30, 2021

Assets		
Current assets		
Cash and cash equivalents	$	5,632,735
Restricted cash		186,568
Short-term investments		203,238
Accounts receivable		23,759,693
Total current assets		29,782,235
Non-Current Assets		
Long-term investments		15,103,677
Non-depreciable capital assets		6,326,371
Capital assets, net of depreciation		117,934,274
Total non-current assets		139,364,322
Total Assets		169,146,557
Deferred Outflows of Resources		
Deferred outflows related to pensions		4,629,303
Deferred outflows related to OPEB		3,654,063
Total deferred outflows of resources		8,283,366
Liabilities		
Current Liabilities		
Accounts payable		2,026,190
Accrued liabilities		3,124,220
Compensated absences, current portion		1,864,050
Unearned revenue		2,021,263
Leases and certificates of participation payable, current portion		644,362
Total pension liability, current portion		90,603
OPEB liability, current portion		593,515
Total current liabilities		10,364,203
Non-Current Liabilities		
Compensated absences		2,526,202
Leases and Certificates of Participation (and loans if applicable)		3,699,475
Net pension liability		7,317,138
OPEB liability		33,149,474
Total non-current liabilities		46,692,288
Total Liabilities		57,056,492
Deferred Inflows of Resources		
Deferred inflows related to pensions		6,617,693
Deferred inflows related to OPEB		11,639,560
Total deferred inflows of resources		18,257,253
Net Position		
Net Investment in Capital Assets		119,916,808
Restricted for:		
Institutional Financial Aid Fund		186,568
Unrestricted (deficit)		(17,987,197)
Total Net Position	$	102,116,179

The notes to financial statements are an integral part of this statement.

Edmonds College Foundation
Statement of Financial Position
June 30, 2021

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 1,453,633
Short-term certificate of deposit	0
Accounts receivable, net	1,184
Due from Edmonds College	22,050
Current portion of promises to give	675,257
Prepaid expenses	17,693
TOTAL CURRENT ASSETS	2,169,817
OTHER ASSETS:	
Promises to give, net of current portion	126,855
Investments	5,380,250
Title III grant investments	1,100,563
Split-interest agreements	1,051,502
TOTAL OTHER ASSETS	7,659,170
TOTAL ASSETS	$ 9,828,987

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	$ 152,506
NET ASSETS:	
Without donor restrictions	1,346,125
With donor restrictions	8,330,356
TOTAL NET ASSETS	9,676,481
TOTAL LIABILITIES AND NET ASSETS	$ 9,828,987

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

EDMONDS COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

Operating Revenues			
Student tuition and fees, net of scholarship discounts and allowances		$	27,804,828
Auxiliary enterprise sales			3,510,410
State and local grants and contracts			18,333,348
Federal grants and contracts			14,108,636
Other operating revenues			987,612
	Total operating revenue		64,744,835
Operating Expenses			
Salaries and wages			47,643,488
Benefits			14,170,573
Scholarships and fellowships			10,195,824
Supplies and materials			1,382,041
Depreciation			4,931,544
Purchased services			4,976,464
Utilities			1,193,082
Operating Leases			4,230,462
Equipment Rental			781,117
Other operating expenses			10,569,771
	Total operating expenses		100,074,366
	Operating income (loss)		(35,329,531)
Non-Operating Revenues (Expenses)			
State appropriations			33,722,290
Federal Pell grant revenue			5,035,661
Other non-operating revenue			3,491,835
Investment income, gains and losses			23,262
Building fee remittance			(1,405,569)
Innovation fund remittance			(352,264)
Interest on indebtedness			(247,899)
	Net non-operating revenue (expenses)		40,267,316
Income or (loss) before other revenues, expenses, gains, or losses			4,937,784
Capital Contributions			
Capital appropriations			2,509,609
	Increase (Decrease) in net position		7,447,393
Net Position			
Net position, beginning of year			94,472,451
Prior period adjustments			196,335
Net position, beginning of year, as restated			94,668,786
Net position, end of year		$	102,116,179

The notes to financial statements are an integral part of this statement.

Edmonds College Foundation

Statement of Activities

For the Year Ended June 30, 2021

	Without Donor	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Contributions	$ 210,743	$ 537,146	$ 747,889
In-kind contributions	258,062	15,219	273,281
Special events	251,129	1,250	252,379
Net investment return	106,648	1,073,828	1,180,476
Change in value of split-interest agreements	0	229,012	229,012
Net assets released from restrictions	1,529,023	(1,529,023)	0
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	2,355,605	327,432	2,683,037
EXPENSES:			
Scholarships	330,216	0	330,216
College program support	93,492	0	93,492
STEM and Nursing building grant to College	1,100,000	0	1,100,000
Other program expenses	99,862	0	99,862
Total program services	1,623,570	0	1,623,570
Administration	180,736	0	180,736
Fundraising	384,604	0	384,604
Total supporting services	565,340	0	565,340
TOTAL EXPENSES	2,188,910	0	2,188,910
CHANGE IN NET ASSETS	166,695	327,432	494,127
BEGINNING NET ASSETS	1,179,430	8,002,924	9,182,354
ENDING NET ASSETS	$ 1,346,125	$ 8,330,356	$ 9,676,481

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

EDMONDS COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash flows from operating activities	
Student tuition and fees	$ 23,687,949
Grants and contracts	23,118,391
Payments to vendors	(1,382,041)
Payments for utilities	(1,193,082)
Payments to employees	(47,563,656)
Payments for benefits	(15,409,994)
Auxiliary enterprise sales	4,102,667
Payments for scholarships and fellowships	(10,195,824)
Other receipts (payments)	(14,194,730)
Net cash used by operating activities	(39,030,319)
Cash flows from noncapital financing activities	
State appropriations	31,699,905
Pell grants	5,035,661
Other Federal non-operating reveue	3,491,835
Building fee remittance	(1,405,569)
Innovation fund remittance	(352,264)
Net cash provided by noncapital financing activities	38,469,568
Cash flows from capital and related financing activities	
Capital appropriations	2,509,609
Purchases of capital assets	(2,621,682)
Interest paid	(247,899)
Net cash used by capital and related financing activities	(359,973)
Cash flows from investing activities	
Purchase of investments	(5,385,584)
Income of investments	23,262
Net cash provided by investing activities	(5,362,322)
Increase (Decrease) in cash and cash equivalents	(6,283,047)
Cash and cash equivalents at the beginning of the year	12,102,351
Cash and cash equivalents at the end of the year	5,819,304
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(35,329,531)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	4,931,544
Purchased services	4,976,464
Operating Leases	4,230,462
Others	672,305
Changes in assets and liabilities	
Receivables, net	(14,489,910)
Accounts payable	819,616
Accrued liabilities	253,559
Unearned revenue	(715,527)
Compensated absences	(1,649,917)
Pension liability adjustment	(2,729,384)
Net cash used by operating activities	$ (39,030,319)

The notes to financial statements are an integral part of this statement.

Edmonds College Foundation
Statement of Cash Flows
For the Year Ended June 30, 2021

	2021
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:	
Change in net assets	$ 494,127
Adjustments to reconcile change in net assets to net cash:	
Contributions restricted for endowments	(50,000)
Change in allowance for uncollectible promises to give	(3,585)
Change in unamortized discount on promises to give	(9,748)
Net realized and unrealized gain on investments	(1,114,684)
Change in value of split-interest agreements	(229,012)
Reinvested interest on short-term certificate of deposit	(123)
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	33,500
Due from Edmonds College	(22,050)
Promises to give	663,531
Prepaid expenses	7,855
Increase (decrease) in liabilities:	
Accounts payable	92,161
Total adjustments and changes	(632,155)
	(138,028)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:	
Purchases of investments and Title III investments	(3,213,577)
Proceeds from sale of investments and Title III investments	3,256,584
Proceeds from maturity of short-term certificate of deposit	20,682
	63,689
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:	
Contributions restricted for endowments	50,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(24,339)
BEGINNING CASH AND CASH EQUIVALENTS	1,477,972
ENDING CASH AND CASH EQUIVALENTS	$ 1,453,633

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

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

The Foundation's Statements of Financial Position, Activities, and Cash Flows are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2021, the Foundation distributed approximately $1.6M to the College for restricted and unrestricted purposes. The Foundation statements used in this report have been audited by an independent accounting firm. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 425-640-1274 and /or emailing foundation@edmonds.edu.

Basis of Presentation

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

Basis of Accounting

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

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

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include bank demand deposits, petty cash held at the College, inter-agency deposits-in-transit, and liquid asset investments. Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets. The College records all cash, cash equivalents, and investments at fair value.

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

Accounts Receivable

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

Capital Assets

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

Land, buildings, infrastructure, and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets, and software with a unit cost of $1,000,000 or more; buildings and improvements with a unit cost of $100,000 or more; library collections with a total cost of $5,000 or more; and all other assets with a unit cost of $5,000 or more are capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives are generally 3 to 7 years for most equipment; 7 years for library resources; 15 to 50 years for buildings and building improvements; and 10 to 50 years for infrastructure and land improvements (other than buildings).

The college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2021, no assets had been written down.

Unearned Revenues

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

Tax Exemption

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

Pension Liability

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

The College also reports its share of the net pension liability for the State Board Retirement Plan in accordance with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions and Related Assets*. This is a change in assumptions from prior years.

OPEB Liability
The college reports its share of OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*. This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one-year lag measurement date similar to GASB Statement No. 68.

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

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

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

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

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

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

- ***Restricted.*** Resources in this category are those the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties. The primary restricted expendable funds for the College are for the Institutional Financial Aid fund. All non-expendable restricted funds are directed to the Edmonds College Foundation.

- ***Unrestricted***. This includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. These resources are derived from student tuition and fees and sales and services of educational departments and auxiliary enterprises.

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

Classification of Revenues and Expenses

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

- ***Operating Revenues***. This includes activities that are directly related to the principal operations of the College, such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) federal, state, and local grants and contracts that primarily support the operational/educational activities of the colleges. Examples include a contract with OSPI to offer Running Start and Adult Basic Education grants that support the primary educational mission of the College.
- ***Operating Expenses***. Operating expenses include salaries and wages, fringe benefits, student financial aid, purchased services, depreciation, operating lease expense, non-capital furniture and equipment, supplies and materials, utilities, and other expenses that are directly related to principal operations of the College.
- ***Non-operating Revenues***. This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income, and Pell Grants received from the federal government. In FY 2021, non-operating revenues also included funds received through the federal CARES act.
- ***Non-operating Expenses***. Non-operating expenses include state remittances related to the building fee and the innovation fee, along with interest incurred on the Certificate of Participation Loans.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charges for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2021 are $4,026,822.

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

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

The innovation fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new Enterprise Resource Planning software (known as ctcLink) across the entire system. On a monthly basis, the College remits the portion of tuition collected for the innovation fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the Statement of Revenues, Expenses and Changes in Net Position.

Note 2: Accounting and Reporting Changes

Accounting Standards Impacting the Future
In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* which postponed the effective dates of Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The College is following the State's Office of Financial Management directives on these postponements.
In June 2017, the GASB issued Statement No. 87, *Leases*, which was to be in effect beginning fiscal year 2021. GASB 95 postponed the effective date to fiscal year 2022. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.
In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the fiscal year ending June 30, 2021. GASB 95 has postponed the effective date to fiscal year 2022. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by the College. The Statement will be applied on a prospective basis and the interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated.

Note 3: Deposits and Investments

Deposits
Cash and cash equivalents include bank demand deposits, petty cash held at the College, inter-agency deposits-in-transit, and liquid asset investments. For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

As of June 30, 2021, the carrying amount of the College's cash and equivalents was $5,819,303 as represented in the table below. The decrease in FY 2021 is primarily due to challenges related to the College's conversion to ctcLink.

Cash and Cash Equivalents	June 30, 2021	June 30, 2020
Petty Cash and Change Funds	9,975	13,650
Inter-agency Deposits in Transit	(33,696)	15,766
Bank Demand and Time Deposits	(4,103,863)	2,313,382
Liquid Asset Accounts	9,760,320	9,671,272
Liquid Asset Accounts - Restricted	186,568	88,281
Total Cash and Cash Equivalents	**5,819,303**	**12,102,351**

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

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

The College measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles. Fair value measurement is based on the assumptions that market participants would use in pricing the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Unrealized gains and losses are included in the Statement of Revenues, Expenses, and Changes in Net Position.
As of June 30, 2021, the College had the following investments and maturities measured at fair value:

Investment Maturities	Total	One Year or Less	1-5 Years	6 or More Years
Investments at Fair Value (Level 2):				
U.S. Agency Obligations	7,303,697	203,238	7,100,459	0
U.S. Treasury Obligations	4,221,151	0	4,221,151	0
Washington State municipal bonds	3,782,067	0	3,782,067	0
Total Investments	**15,306,915**	**203,238**	**15,103,677**	**0**

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

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

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

Custodial Credit Risk - Investments
Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The College's operating fund investments are held by U.S. Bank of Washington as the agent for the College. At June 30, 2021, investments totaling $15,306,915 were exposed to custodial credit risk.

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

Investment Expenses
Investment income for the College is shown net of investment expenses. The College incurred no investment expenses for FY 2021

Note 4: Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. It also includes amounts due from federal, state, and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2021, accounts receivable were as follows:

Accounts Receivable	Amount
Student Tuition Receivable	1,090,431
Student Fee Receivable	516,947
Payment Plan Receivable	660,849
Student Loan Receivable	1,087
Due from Federal Government	7,626,026
Due from State Agencies	9,097,173
Others	4,931,382
Subtotal	**23,923,895**
Less Allowance for Uncollectable Accounts	(164,203)
Total Accounts Receivable, net	**23,759,693**

Note 5: Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2021 is presented as follows. The current year depreciation expense was $4,135,220.

Capital Assets	Beginning Balance	Additions / Transfers	Retirements	Ending Balance
Capital Assets, Non-depreciable:				
Land	6,326,372	0	0	6,326,372
Construction in Progress	47,096,139	(47,096,139)	0	0
Total Capital Assets, Non-depreciable	**53,422,510**	**(47,096,139)**	**0**	**6,326,372**
Capital Assets, Depreciable:				
Buildings	124,022,740	48,759,894	0	172,782,634
Other Improvements & Infrastructure	20,068,340	0	0	20,068,340
Equipment	9,430,788	0	0	9,430,788
Library Resources	215,763	9,763	0	225,526
Subtotal Capital Assets, Depreciable	**153,737,632**	**48,769,657**	**0**	**202,507,289**
Less Accumulated Depreciation:				
Buildings	(56,094,271)	(4,009,919)	0	(60,104,190)
Other Improvements & Infrastructure	(15,977,079)	(315,731)	0	(16,292,810)

Equipment	(7,397,265)	(586,086)	0	(7,983,351)
Library Resources	(172,855)	(19,808)	0	(192,664)
Total Accumulated Depreciation	**(79,641,470)**	**(4,931,544)**	**0**	**(84,573,015)**
Total Capital Assets, Depreciable, net	**74,096,162**	**(43,838,113)**	**0**	**117,934,274**
Total Capital Assets, net of Accumulated Depreciation	**127,518,673**	**(3,258,025)**	**0**	**124,260,645**

Note 6: Accounts Payable and Accrued Liabilities

As of June 30, 2021, accrued liabilities were as follows:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	2,446,128
Accounts Payable	2,026,190
Amounts Held for Others	678,093
Total Accounts Payable and Accrued Liabilities	**5,150,410**

Note 7: Unearned Revenue

Unearned revenue is comprised of revenues recorded as of June 30, 2021, but are for next fiscal year. These are comprised of receipts which have not yet met revenue recognition criteria. More specifically, in the College's ctcLink system, revenue is recorded when students enroll or register for a class. Students started enrolling for the Summer 2021 and Fall 2021 quarters before the end June 30, 2021.

Unearned Revenue	Amount
Summer Quarter Tuition & Fees	2,014,480
Fall Quarter Tuition & Fees	6,783
Total Unearned Revenue	**2,201,263**

Note 8: Risk Management

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

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

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The College finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees, except student employees. Payments made for claims from July 1, 2020 through June 30, 2021, were $376, 623. Cash reserves for unemployment compensation for all employees at June 30, 2021, were $234,403.

Note 9: Compensated Absences

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

An estimated amount, based on a three-year average payout, is accrued as a current liability. The remaining amount of accrued annual and sick leave are categorized as non-current liabilities. Compensatory time is categorized as a current liability since it must be used before other leave.

Compensated Absences	Total	Current	Non-Current
Accrued Sick Leave	1,880,222	799,262	1,080,960
Accrued Vacation	2,513,854	1,068,612	1,445,242
Accrued Compensation Time Payable	(3,824)	(3,824)	0
Total Compensated Absences	**4,390,252**	**1,864,050**	**2,526,202**

Note 10: Leases Payable

Capital Leases

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

The assets acquired through COPs are pledged as collateral under their respective lease/finance agreements. Nonpayment, whether due to qualified termination events or default, would result in relinquishing the secured assets and may impact the College's ability to secure financing in the future. The College does not foresee any such events. Assets subject to COP agreements as of June 30, 2021 in the table below are reported at full cost and depreciation thereon, which includes the amounts funded by proceeds from COPs as well as additional costs incurred by the College and capitalized in accordance with State and College policy.

Assets Acquired through Capital Leases	Amount
Machinery & Equipment	436,455
Buildings & Improvements	14,426,452
Less: Accumulated Depreciation	(5,567,207)
Total Assets Acquired through Capital Leases, Net	**9,295,700**

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

In FY 2021, COPs included the following:

Certificates of Participation	Interest Rate	Lease End Date	Original or Refunded Amount	FY 2021 Payment
Compactor	2.19828%	6/1/2025	40,888	4,149
Black Box Theatre	2.11666%	6/1/2027	1,700,000	150,000
Brier Hall	2.12005%	6/1/2027	5,320,000	460,000

Nearly all COP debt service payments are funded by the College's Debt Service Reserve (DSR). The exceptions to this are the Brier Hall COP, which is funded by a dedicated fee assessed by the students to pay principal and interest costs, and the industrial compactor, which is funded by the general operating budget. With Board approval, the College initiated a Debt Service Reserve for COP debt service payments in the fiscal year ended June 30, 2010. The following year, the Board approved transferring the Reserve Fund Balance ($3.2M) to the DSR. The initial Board approval also included the availability of inter-fund borrowing. The ending balance of the DSR at June 30, 2021, was $6,730,622.

Operating Leases

The College has leases for office/program space, residence halls, parking, and office equipment with various vendors. These are classified as operating leases. Terms range from month-to-month contracts up to 10 years and may contain renewal options. Total cost for such leases was

$4,230,462 in FY 2021.

The College's operating leases and debt service requirements for capital leases as of June 30, 2021, are listed in Note 11.

Note 11: Annual Debt Service Requirements

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

Annual Debt Service and Operating Lease Requirements				
	Certificates of Participation			Operating Leases
Fiscal Year	**Principal**	**Interest**	**Total**	**Total**
2022	644,362	217,192	861,554	2,523,674
2023	674,586	184,974	859,560	2,597,742
2024	704,821	151,244	856,065	2,461,847
2025	735,068	116,003	851,071	2,310,000
2026-2030	1,585,000	119,750	1,704,750	21,088,319
2031-2035	0	0	0	2,520,833
Total Requirements	**4,343,837**	**789,163**	**5,133,000**	**33,502,415**

Note 12 – Schedule of Long Term Liabilities

	Beginning Balance 6/30/2020	Additions	Reductions	Ending Balance 6/30/2021	Current Portion
Compensated Absences	6,040,167	5,112	1,655,028	4,390,252	1,864,050
OPEB Liability	33,899,803	3,330,825	3,487,639	33,742,989	593,515
Pension Liability	12,973,972	200,420	5,766,652	7,407,741	90,603
Certificates of Participation	4,957,986	0	614,149	4,343,837	644,362
Total Long Term Liabilities	57,871,928	3,536,357	11,523,468	49,884,817	3,192,530

Note 13 - Retirement Plans

A. General

The College offers three contributory pension plans: the Washington State Public Employees' Retirement System (PERS), the Washington State Teachers' Retirement System (TRS), and the State Board Retirement Plan (SBRP). PERS and TRS are cost sharing multiple-employer defined-benefit pension plans administered by the Washington State Department of Retirement Systems (DRS). SBRP is a defined contribution single employer pension plan with a supplemental payment when required. The SBRP is administered by the State Board for Community and Technical

Colleges (SBCTC) and available to faculty, exempt administrative staff, and professional staff of the state's public community and technical colleges. The College reports its proportionate share of the net pension liability as it is a part of the community and technical college system.

Basis of Accounting

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

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the College, for fiscal year 2021:

Aggregate Pension Amounts - All Plans	Amount
Pension liabilities	7,407,741
Deferred outflows of resources related to pensions	4,629,303
Deferred inflows of resources related to pensions	6,617,693
Pension expense	(1,383,513)

Department of Retirement Systems

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TRS

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

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

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

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

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

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

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

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

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

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

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

The employer contribution rates (expressed as a percentage of covered payroll) and actual contributions for the year ended June 30, 2021 were as follows:

Employer Contributions	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rate				
7/1/20 – 8/31/20	12.86%	12.86%	15.51%	15.51%
9/1/20 – 6/30/21	12.97%	12.97%	15.74%	15.74%
Actual Contributions	**729,838**	**1,172,243**	**93,235**	**102,724**

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, with the results rolled forward to the June 30, 2020, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on Society of Actuaries' Pub. H-2010 Mortality rates, which vary by member status (e.g., active, retiree, or survivor), as our base table. The Office of the State Actuary (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

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

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
Total Allocation	100%	

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

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

Discount rate
The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

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

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

Pension Plan	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1	4,470,006	3,568,705	2,782,678
PERS 2/3	10,343,394	1,662,319	(5,486,551)
TRS 1	411,245	324,584	248,957
TRS 2/3	621,961	211,044	(124,161)

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

Pension Liabilities. At June 30, 2021, the College reported a total net pension liability of $5,766,652 for its proportionate share of the net pension liabilities as follows:

Pension Plan	Pension Liability by Plan
PERS 1	3,568,705
PERS 2/3	1,662,319
TRS 1	324,584
TRS 2/3	211,044
Net Pension Liabilities	**5,766,652**

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

Pension Plans	2019	2020	Change
PERS 1	0.107102%	0.101081%	(0.006021%)
PERS 2/3	0.136375%	0.129976%	(0.006399%)
TRS 1	0.015099%	0.013475%	(0.001624%)
TRS 2/3	0.014587%	0.013740%	(0.000847%)

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

Pension Expense. For the year ended June 30, 2021 the College recognized pension expense as follows:

Pension Expense by Plan	Amount
PERS 1	(66,279)
PERS 2/3	129,169
TRS 1	(3,614)
TRS 2/3	76,306
Total Pension Expense by Plan	**135,582**

Deferred Outflows of Resources and Deferred Inflows of Resources. The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2021:

Deferred Outflows and Inflows By Pension Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Plan 1		
Difference between expected and actual experience	0	0
Difference between expected and actual earnings of pension plan investments	0	19,869
Changes of assumptions	0	0
Changes in College's proportionate share of pension liabilities	0	0
Contributions subsequent to the measurement date	729,838	0
Total PERS Plan 1	**729,838**	**19,869**

Deferred Outflows and Inflows By Pension Plan (Continued)	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Plan 2/3		
Difference between expected and actual experience	595,086	208,328
Difference between expected and actual earnings of pension plan investments	0	84,422
Changes of assumptions	23,676	1,135,508
Changes in College's proportionate share of pension liabilities	210,454	340,020
Contributions subsequent to the measurement date	1,172,243	0
Total PERS Plan 2/3	**2,001,459**	**1,768,277**
TRS Plan 1		
Difference between expected and actual experience	0	0
Difference between expected and actual earnings of pension plan investments	0	2,087
Changes of assumptions	0	0
Changes in College's proportionate share of pension liabilities	0	0
Contributions subsequent to the measurement date	93,235	0
Total TRS Plan 1	**93,235**	**2,087**
TRS Plan 2/3		
Difference between expected and actual experience	133,378	761
Difference between expected and actual earnings of pension plan investments	0	2,049
Changes of assumptions	27,221	23,129
Changes in College's proportionate share of pension liabilities	15,110	25,177
Contributions subsequent to the measurement date	102,724	0
Total TRS Plan 3	**278,433**	**51,115**
Grand Total of Deferred Outflows and Deferred Inflows of Resources	**3,102,964**	**1,841,349**

The $2,098,040 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2021.

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

Fiscal Year Ending June 30	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2022	(90,167)	(728,844)	(9,174)	(1,504)
2023	(2,836)	(203,958)	(268)	14,138
2024	27,512	(9,536)	2,794	21,499
2025	45,621	151,021	4,562	27,526
2026	0	(47,921)	0	14,872
Thereafter	0	(99,824)	0	48,062
Total Net Deferred (Inflows) Outflows	**(19,869)**	**(939,062)**	**(2,087)**	**124,594**

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

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

Plan Description. The State Board Retirement Plan is a privately administered single-employer defined contribution plans with a supplemental defined benefit plan component that guarantees a minimum retirement benefit based upon a one-time calculation at each employee’s retirement date. The supplemental component is financed on a pay-as-you-go basis. The College participates in this plan as authorized by chapter 28B.10 of the RCW and reports its proportionate share of the net pension liability. House Bill 1661, effective fiscal year 2021, created separate Supplemental Retirement Plan (SRP) funds by institution that met the definition of a trust or equivalent arrangement. As a result, this is the first year these plans will be reported under GASB Statement No. 67/68. Prior to this, the SRP was reported under GASB Statement No. 73.

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

As of July 1, 2011, all the Supplemental Retirement Plans were closed to new entrants. Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount a member’s goal income exceeds their assumed income. The monthly goal income is the one-twelfth of 2 percent of the member’s average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of 50 percent of the member’s average annual salary). The member’s assumed income is an annuity benefit the retired member would receive from their defined contribution retirement plan benefit in the first month of retirement had they invested all employer and member contributions equally between a fixed income and variable income annuity investment.

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

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2020, with the results rolled forward to the June 30, 2021, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Salary increases: 3.50% - 4.00%
- Fixed Income and Variable Income Investment Returns*: N/A

**Measurement reflects actual investment returns through June 30, 2020*

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates which vary by member status (e.g. active, retiree, or survivor), as the base table. The Office of the State Actuary (OSA) applied age offsets as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.
Most actuarial assumptions used in the June 30, 2020 valuation were based on the results of the August 2021 Supplemental Plan Experience Study. Additional assumptions related to the salary growth were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material assumption changes. Some significant changes in plan provisions and actuarial assumptions from prior fiscal year impacted the total pension liability (TPL). House Bill 1661 (Chapter 103 Laws of 2020) created dedicated funds to pay Supplemental Retirement Plan (SRP) benefits that mimic trust arrangement for the rest of the state retirement system. The change results in the SRP reporting under GASB 67/68 instead of GASB 73. As a result of this change:

- The discount rate is based on the long-term expected rate of return on the pension plan investments. This resulted in an increase in the discount rate used to measure the TPL from 2.21 percent as of June 30, 2020 to 7.4 percent.

The total pension liability is now compared against the plan's fiduciary net position to determine the net pension liability (NPL). Additionally, OSA recently completed an experience study which modified multiple assumption to estimate future plan experience.

Discount Rate. The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligations 20-Bond Municipal Bond Index, or 7.4 percent for the June 30, 2021, measurement date.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2021 were $2,366,417 and $2,258,568, respectively, for a total contribution of $4,624,985.

Pension Expense. The Pension Expense is the summation of a number of components, including benefits earned during the fiscal year and interest on the TPL. These numbers are sensitive to assumption changes and plan experience and can be volatile from year to year.
Pension expense for the fiscal year ending June 30, 2021 was $(1,519,096)

Pension Expense	
Proportionate Share (%)	4.51729%
Service Cost	211,048
Interest Cost	150,110
Amortization of Differences Between Expected and Actual Experience	(307,763)
Amortization of Changes in Assumptions	182,002
Changes of Benefit Terms	0
Administrative Expenses	0
Employee Contributions	0
Expected Earning on Plan Investments	(79,278)
Amortization of Difference between Projected and Actual Earnings on Plan Investments	(58,318)
Other Changes in Fiduciary Net Position	0
Proportionate Share of Collective Pension Expense	**(266,204)**
Amortization of Changes in Proportionate Share of TPL	(76,544)
Benefit payments and Employer Contributions	(119,618)
Beginning Balance Net Position	(1,056,730)
Total Pension Expense	**(1,519,096)**

Plan Membership. Membership in the State Board Supplemental Retirement Plan consisted of the following as of June 30, 2020, the most recent actuarial valuation date:

Number of Participating Members				
Pension Plan	**Inactive Members (Or Beneficiaries) Currently Receiving Benefits**	**Inactive Members Entitled To But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
SRP	1	17	242	260

Change in Total Net Pension Liability (Asset). The following table presents the change in total net pension liability (asset) of the State Board Supplemental Retirement Plan (SRP) at June 30, 2021:

Schedule of Development of Net Pension Liability	
Total Pension Liability	
Service Cost	211,048
Interest Cost	150,110
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	(1,354,330)
Changes in Assumptions	(2,444,307)
Benefit Payments	(89,984)
Changes in Proportionate Share	(443,371)

Other	0
Net Change in Total Pension Liability	(3,970,834)
Total Net Pension Liability – Beginning	7,069,142
Total Net Pension Liability – Ending (a)	**3,098,308**
Plan Fiduciary Net Position	
Contributions – Employer	29,633
Contributions – Member	0
Net Investment Income	370,915
Benefit Payments	0
Administrative Expense	0
Other	0
Net Change in Plan Fiduciary Net Position	400,548
Plan Fiduciary Net Position – Beginning	1,056,730
Plan Fiduciary Net Position – Ending (b)	**1,457,278**
Plan's Net Pension Liability (Asset) – Ending (a) – (b)	**1,641,030**

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

Pension Plan	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
SRP	$1,966,242	$1,641,087	$1,361,151

Deferred Outflows and Inflows of Resources Related to Pensions.
At June 30, 2021, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows and Inflows - SRP	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	440,436	1,787,357
Changes of assumptions	1,038,526	2,267,003
Changes in College's proportionate share of pension liability	47,375	488,710
Differences between Projected and Actual Earnings on Plan Investments	0	233,273
Total Deferred Outflows and Inflows of Resources - SRP	**1,526,337**	**4,776,343**

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

Fiscal Year Ending June 30	Amount
2022	(624,627)
2023	(624,627)
2024	(550,182)
2025	(438,469)
2026	(409,240)
Thereafter	(602,862)

Note 14- Other Post-Employment Benefits

Plan Description. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the Health Care Authority (HCA), is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications among the HCA, employers, and plan members and based on the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumptions used in valuations presented in this footnote assume that his substantive plan will be carried forward into the future.

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

Employees Covered by Benefit Terms. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 13 of the state's K-12 schools and educational service districts (ESDs), and 261 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	
Active Employees *	726
Retirees Receiving Benefits **	221
Retirees Not Receiving Benefits ***	33
Total Active Employees and Retirees	980

*Reflects active employees eligible for PEBB program participation as of June 30, 2020.
**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.
***This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

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

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2020, the average weighted implicit subsidy was valued at $372 per adult unit per month. In calendar year 2021, the average weighted implicit subsidy is projected to be $384 per adult unit per month. Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2021 the explicit subsidy was $183 per member per month and it will remain $183 per member per month in calendar year 2022

Contribution Information. Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.
Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

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

Required Premium *	
Medical	1,120
Dental	81
Life	4

Long-term Disability	2
Total Premium	1,207
Employer Contribution	1,041
Employee Contribution	166
Total Premium	1,207

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

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

Total OPEB Liability
As of June 30, 2021, the state reported a total OPEB liability of $6.055 billion. The College's proportionate share of the total OPEB liability is $33,742,989**.** This liability was determined based on a measurement date of June 30, 2020.

Actuarial Assumptions. Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions	
Inflation Rate	2.75%
Projected Salary Changes	3.50% Plus Service-Based Salary Increases
Health Care Trend Rates	Initial trend rate ranges from 2%-11%, reaching an ultimate rate of approximately 4.3% in 2075
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

In projecting the growth of the explicit subsidy, after 2022 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 developed using the Society of Actuaries' Pub.H-2010 mortality rates which vary by member status (e.g. active, retiree, or survivor) as the base table. The Office of the State Actuary applied for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is 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 2013-2018 Demographic Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2019 Economic Experience Study.

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

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

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.50 percent for the June 30, 2019 measurement date and 2.21 percent for the June 30, 2020 measurement date.

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

Changes in Total OPEB Liability

As of June 30, 2021, components of the calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

OPEB Liability	
Proportionate Share (%)	0.00557257006%
Service Cost	1,400,233
Interest Cost	1,171,317
Differences Between Expected and Actual Experience	(179,493)
Changes in Assumptions	759,275
Changes of Benefit Terms	0
Benefit Payments	(557,682)
Changes in Proportionate Share	(1,557,391)
Other	(1,193,073)
Net Change in Total OPEB Liability	(156,814)
Total OPEB Liability - Beginning	33,899,803

Total OPEB Liability - Ending	33,742,989

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of the College, calculated using the discount rate of 2.21 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 (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

Discount Rate Sensitivity			
	1% Decrease (1.21%)	**Current Discount Rate (2.21%)**	**1% Increase (3.21%)**
OPEB Liability	40,854,439	33,742,989	28,205,713

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the College, calculated using the health care trend rates of 2-11 percent reaching an ultimate range of 4.3 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 (1-10 percent decreasing to 3.50 percent) or 1 percentage point higher (3-12 percent) than the current rate:

Health Care Cost Trend Rate Sensitivity			
	1% Decrease	**Current Health Care Cost Trend Rate**	**1% Increase**
OPEB Liability	27,496,952	33,742,989	42,116,944

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

For the year ending June 30, 2021, the College will recognize OPEB expense of $(158,654.)OPEB expense consists of the following elements:

OPEB Expense	
Proportionate Share (%)	0.5572570060%
Service Cost	1,400,233
Interest Cost	1,171,317
Amortization of Differences Between Expected and Actual Experience	103,434
Amortization of Changes in Assumptions	(1,100,042)
Changes of Benefit Terms	0
Amortization of Changes in Proportion	(540,523)
Administrative Expenses	(1,193,073)
Total OPEB Expense	(158,654)

As of June 30, 2021, the deferred inflows and deferred outflows of resources for the College are as follows:

Proportionate Share (%)		0.5572570060%
Deferred Outflows and Inflows - OPEB	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**
Difference between expected and actual experience	740,267	159,550
Changes of assumptions	2,320,281	7,957,998
Changes in benefit terms	0	0
Transactions subsequent to the measurement date	593,515	0
Changes in proportion		3,522,013
Total Deferred Outflows and Inflows of Resources - OPEB	3,654,063	11,639,561

Amounts reported as deferred outflow of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

Proportionate Share (%)	0.557257006%
Fiscal Year Ending June 30	Amount
2022	(1,537,132)
2023	(1,537,132)
2024	(1,537,132)
2025	(1,537,132)
2026	(1,537,129)
Thereafter	(893,356)

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

OPEB Change in Proportion	
Proportionate Share (%) 2019	0.5840907096%
Proportionate Share (%) 2020	0.5572570060%
Total OPEB Liability - Ending 2019	33,899,803
Total OPEB Liability - Beginning 2020	32,342,412
Total OPEB Liability Change in Proportion	(1,557,391)
Total Deferred Inflows/Outflows 2019	(6,368,272)
Total Deferred Inflows/Outflows 2020	(6,075,707)
Total Deferred Inflows/Outflows Change in Proportion	292,565
Total Change in Proportion	(1,849,956)

Note 15 - Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2021.

Functional Classification of Operating Expenses	Amount
Instruction	29,728,897
Academic Support Services	7,990,286
Student Services	19,943,818
Institutional Support	13,807,637
Operations & Maintenance of Plant	4,568,258
Auxiliary Services	6,854,801
Student Financial Aid	12,249,125
Depreciation	4,931,544
Total Operating Expenses	**100,074,366**

Note 16 - Commitments and Contingencies

The College does not currently have any local-funded commitments for capital improvement projects.

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

Required Supplementary Information

Pension Plan Information

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

Pension Plan	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
PERS Plan 1					
2014	0.117045%	$5,896,196	$12,338,181	47.79%	61.19%
2015	0.110928%	$5,802,566	$12,390,671	46.83%	59.10%
2016	0.110233%	$5,920,030	$12,979,683	45.61%	57.03%
2017	0.101331%	$4,808,235	$12,629,259	38.07%	61.24%
2018	0.103175%	$4,607,831	$13,517,308	34.09%	63.22%
2019	0.107102%	$4,118,452	$14,904,140	27.63%	67.12%
2020	0.101081%	$3,568,705	$15,259,143	23.39%	68.64%
2021					
2022					
2023					
PERS Plan 2/3					
2014	0.138764%	$2,804,922	$11,877,166	23.62%	93.29%
2015	0.136727%	$4,885,335	$12,130,874	40.27%	89.20%
2016	0.137467%	$6,921,361	$12,825,420	53.97%	85.82%
2017	0.127543%	$4,431,510	$12,510,787	35.42%	90.97%
2018	0.128991%	$2,202,407	$13,373,889	16.47%	95.77%
2019	0.136375%	$1,324,664	$14,824,356	8.94%	97.77%
2020	0.129976%	$1,662,319	$15,182,575	10.95%	97.27%
2021					
2022					
2023					

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

Required Supplementary Information

Pension Plan Information

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

Pension Plan	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
TRS Plan 1					
2014	0.016377%	$483,032	$ 574,573	84.07%	68.77%
2015	0.014887%	$471,641	$ 582,543	80.96%	65.70%
2016	0.020971%	$716,015	$ 913,462	78.38%	62.07%
2017	0.019198%	$580,407	$1,016,963	57.07%	65.58%
2018	0.019034%	$555,905	$1,069,270	51.99%	66.52%
2019	0.015099%	$373,821	$ 987,385	37.86%	70.37%
2020	0.013475%	$324,584	$983,339	33.01%	70.55%
2021					
2022					
2023					
TRS Plan 2/3					
2014	0.010302%	$33,274	$438,998	7.58%	96.81%
2015	0.009845%	$83,072	$459,312	18.09%	92.48%
2016	0.016111%	$221,245	$791,872	27.94%	88.72%
2017	0.017447%	$161,026	$957,853	16.81%	93.14%
2018	0.017670%	$79,535	$1,021,470	7.79%	96.88%
2019	0.014587%	$87,892	$968,999	9.07%	96.36%
2020	0.013740%	$211,044	$983,339	21.46%	91.72%
2021					
2022					
2023					

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

Required Supplementary Information
Pension Plan Information

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

Pension Plan	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency or (excess)	Covered payroll	Contributions as a percentage of covered payroll
PERS Plan 1					
2014	$518,078	$518,078	$0	$12,338,181	4.20%
2015	$509,826	$509,826	$0	$12,390,671	4.11%
2016	$625,128	$625,128	$0	$12,979,683	4.82%
2017	$609,534	$609,534	$0	$12,629,259	4.83%
2018	$690,653	$690,653	$0	$13,517,308	5.11%
2019	$769,810	$769,810	$0	$14,904,140	5.17%
2020	$732,428	$732,428	$0	$15,247,067	4.80%
2021	$729,838	$729,838	$0	$14,892,802	4.90%
2022					
2023					
PERS Plan 2/3					
2014	$586,192	$586,192	$0	$11,877,166	4.94%
2015	$609,052	$609,052	$0	$12,130,874	5.02%
2016	$793,585	$793,585	$0	$12,825,420	6.19%
2017	$779,019	$779,019	$0	$12,510,787	6.23%
2018	$1,001,653	$1,001,653	$0	$13,373,889	7.49%
2019	$1,116,423	$1,116,423	$0	$14,824,356	7.53%
2020	$1,202,432	$1,202,432	$0	$15,170,499	7.93%
2021	$1,172,243	$1,172,243	$0	$14,802,174	7.92%
2022					
2023					

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

Required Supplementary Information
Pension Plan Information

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

Pension Plan	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency or (excess)	Covered payroll	Contributions as a percentage of covered payroll
TRS Plan 1					
2014	$32,386	$32,386	$0	$574,573	5.64%
2015	$33,314	$33,314	$0	$582,543	5.72%
2016	$50,988	$50,988	$0	$913,462	5.58%
2017	$67,183	$67,183	$0	$1,016,963	6.61%
2018	$79,598	$79,598	$0	$1,069,270	7.44%
2019	$74,163	$74,163	$0	$987,385	7.51%
2020	$70,748	$70,748	$0	$976,820	7.24%
2021	$93,235	$93,235	$0	$1,260,407	7.40%
2022					
2023					
TRS Plan 2/3					
2014	$25,279	$25,279	$0	$438,998	5.76%
2015	$26,164	$26,164	$0	$459,312	5.70%
2016	$65,333	$65,333	$0	$791,872	8.25%
2017	$64,285	$64,285	$0	$957,853	6.71%
2018	$78,970	$78,970	$0	$1,021,470	7.73%
2019	$75,640	$75,640	$0	$968,999	7.81%
2020	$79,932	$79,932	$0	$976,820	8.18%
2021	$102,724	$102,724	$0	$1,260,407	8.15%
2022					
2023					

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

Required Supplementary Information

Pension Plan Information

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

Total Pension Liability (TPL)	**2021**	**2020**	**2019**	**2018**	**2017**
Changes in Total Pension Liability					
Service Cost	211,048	169,477	139,080	191,840	267,345
Interest	150,110	190,642	168,231	176,301	173,426
Changes of Benefit Terms	0	0	0	0	0
Differences Between Expected and Actual Experience	(1,354,330)	401,686	317,176	(521,432)	(1,250,408)
Changes in Assumptions	(2,444,307)	1,073,296	596,381	(176,401)	(295,131)
Benefit Payments	(89,984)	(86,046)	(88,691)	(65,167)	(44,516)
Change in Proportionate Share of TPL	(443,371)	(63,990)	(117,916)	73,671	0
Other	0	0	0	0	0
Net Change in Total Pension Liability	(3,970,834)	1,685,065	1,014,261	(321,188)	(1,149,284)
Total Pension Liability – Beginning	7,069,142	5,384,077	4,369,816	4,691,004	5,840,288
Total Pension Liability – Ending (a)	**3,098,308**	**7,069,142**	**5,384,077**	**4,369,816**	**4,691,004**
Plan Fiduciary Net Position**					
Contributions Employer	29,633	N/A	N/A	N/A	N/A
Contributions Member		N/A	N/A	N/A	N/A
Net Investment Income	370,915	N/A	N/A	N/A	N/A
Benefit Payments		N/A	N/A	N/A	N/A
Administrative Expense		N/A	N/A	N/A	N/A
Other		N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	400,548				
Plan Fiduciary Net Position Beginning	1,056,730				
Plan Fiduciary Net Position Ending (b)	**1,457,278**				
Plan's Net Pension Liability (Asset) - Ending (a)-(b)	**1,641,030**				
College's Proportion of the Pension Liability	4.520000%	4.819573%	4.877542%	5.012810%	4.935302%
Covered-Employee Payroll	28,006,363	29,058,023	27,852,620	27,990,181	27,200,979
Total Pension Liability as a Percentage of Covered-Employee Payroll	11.062872%	24.327676%	19.330594%	15.611960%	17.245718%

* These schedules will be built prospectively until they contain 10 years of data. n/a indicates data not available.

Schedule of Employer Contributions State Board Supplemental Retirement Plan Fiscal Year Ended June 30, 2021	2021
Statutorily determined contributions	36,408
Actual contributions in relation to the above	26,853
Contribution deficiency (excess)	9,555
Covered Payroll	28,006,363
Contribution as a % of covered payroll	0.13%

**Due to changes in legislation, assets from this higher education institution plan that was previously not administered through a trust, was placed into a trust or similar arrangement. As a result, this plan previously reported under GASB Statement No. 73, is now reported under GASB Statement No. 68. This change is effective for fiscal year 2021.

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

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

Required Supplementary Information
Other Postemployment Benefit Plan Information

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

Total OPEB Liability	2021	2020	2019	2018
Changes in Total OPEB Liability				
Service Cost	1,400,233	1,372,622	1,876,613	2,388,061
Interest	1,171,317	1,190,671	1,290,161	1,118,583
Differences Between Expected and Actual Experience	(179,493)	0	1,177,666	0
Changes in Assumptions	759,275	2,217,345	(8,215,537)	(5,456,465)
Changes of Benefit Terms	0	0	0	0
Benefit Payments	(557,682)	(544,661)	(544,900)	(570,047)
Change in Proportionate Share	(1,557,391)	(351,641)	(793,847)	(1,682,496)
Other	(1,193,073)	0	0	0
Net Change in Total OPEB Liability	(156,814)	3,884,336	(5,209,844)	(4,202,364)
Total OPEB Liability – Beginning	33,899,803	30,015,467	35,225,311	39,427,675
Total OPEB Liability – Ending	**33,742,989**	**33,899,803**	**30,015,467**	**35,225,311**
College's proportion of the Total OPEB Liability (%)	0.557250%	0.584091%	0.591015%	0.604641%
Covered-Employee Payroll	50,526,130	49,062,082	47,815,982	46,523,575
Total OPEB Liability as a Percentage of Covered-Employee Payroll	66.783245%	69.095728%	62.772876%	75.714970%

Notes to Required Supplementary Information

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

Schedule of Employer Contributions State Board Supplemental Retirement Plan Fiscal Year Ended June 30, 2021	2021
Statutorily determined contributions	36,408
Actual contributions in relation to the above	26,853
Contribution deficiency (excess)	9,555
Covered Payroll	28,006,363
Contribution as a % of covered payroll	0.13%

**Due to changes in legislation, assets from this higher education institution plan that was previously not administered through a trust, was placed into a trust or similar arrangement. As a result, this plan previously reported under GASB Statement No. 73, is now reported under GASB Statement No. 68. This change is effective for fiscal year 2021.

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

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

Required Supplementary Information
Other Postemployment Benefit Plan Information

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

Total OPEB Liability	2021	2020	2019	2018
Changes in Total OPEB Liability				
Service Cost	1,400,233	1,372,622	1,876,613	2,388,061
Interest	1,171,317	1,190,671	1,290,161	1,118,583
Differences Between Expected and Actual Experience	(179,493)	0	1,177,666	0
Changes in Assumptions	759,275	2,217,345	(8,215,537)	(5,456,465)
Changes of Benefit Terms	0	0	0	0
Benefit Payments	(557,682)	(544,661)	(544,900)	(570,047)
Change in Proportionate Share	(1,557,391)	(351,641)	(793,847)	(1,682,496)
Other	(1,193,073)	0	0	0
Net Change in Total OPEB Liability	(156,814)	3,884,336	(5,209,844)	(4,202,364)
Total OPEB Liability – Beginning	33,899,803	30,015,467	35,225,311	39,427,675
Total OPEB Liability – Ending	**33,742,989**	**33,899,803**	**30,015,467**	**35,225,311**
College's proportion of the Total OPEB Liability (%)	0.557250%	0.584091%	0.591015%	0.604641%
Covered-Employee Payroll	50,526,130	49,062,082	47,815,982	46,523,575
Total OPEB Liability as a Percentage of Covered-Employee Payroll	66.783245%	69.095728%	62.772876%	75.714970%

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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