Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Grays Harbor College

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

Published September 7, 2021

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Office of the Washington State Auditor
Pat McCarthy

September 7, 2021

Board of Trustees
Grays Harbor College
Aberdeen, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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TABLE OF CONTENTS

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*

Grays Harbor College
July 1, 2019 through June 30, 2020

Board of Trustees
Grays Harbor College
Aberdeen, 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 Grays Harbor College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated August 31, 2021.

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy, State Auditor

Olympia, WA

August 31, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Grays Harbor College
July 1, 2019 through June 30, 2020

Board of Trustees
Grays Harbor College
Aberdeen, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Grays Harbor College Foundation (the Foundation), which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

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

Matters of Emphasis

As discussed in Note 1, the financial statements of the Grays Harbor College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

August 31, 2021

FINANCIAL SECTION

Grays Harbor College
July 1, 2019 through June 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

College Statement of Net Position – 2020
College Statement of Revenues, Expenses and Changes in Net Position – 2020
College Statement of Cash Flows – 2020
Foundation Statement of Financial Position – 2020
Foundation Statement of Activities – 2020
Foundation Statement of Functional Expenses – 2020
Foundation Statement of Cash Flows – 2020
Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Grays Harbor College's Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2020
Schedules of Contributions – PERS 1, PERS 2/3, 2, TRS 1, TRS 2/3 – 2020
Schedule of Changes in the Total Pension Liability and Related Ratios – State Board Supplemental Defined Benefit Plans – 2020
Schedule of Changes in the Total OPEB Liability and Related Ratios – Other Postemployment Benefits Information – 2020

Management's Discussion and Analysis

Grays Harbor College

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

Grays Harbor College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs. The College also serves Running Start high school students (dual enrollments) through contracts with local school districts, and provides basic skills, vocational training, and associate degree programs to the Stafford Creek Correctional Center through a contract with the State of Washington Department of Corrections. The College confers applied baccalaureate degrees, associates degrees, certificates and high school diplomas. For the fiscal year ending June 30, 2020, the College served 1270 state funded full-time equivalent (FTE) students, and 603 contract FTEs. Actual unduplicated state funded headcount totaled 2,451 students.

The College was established in 1930 and is one of the oldest community colleges in the state.

The College's main campus is located in Aberdeen, Washington, and the College service district includes both Grays Harbor and Pacific counties with a total population of approximately 92,400. The College also has educational centers Pacific County, with facilities in Raymond and Ilwaco. The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state Senate. In accordance with Washington State law governing technical colleges, the College's board includes one member from business and one member from labor. In addition, the college has 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 Grays Harbor College Foundation. The College's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2020. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

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

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

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:

Grays Harbor College Condensed Statement of Net Position As of June 30, 2020		
	2020	**2019**
Assets		
Current Assets	$ 9,713,055	$ 8,661,853
Capital Assets, net	71,830,028	$ 73,770,339
Other Assets, non-current	1,732,454	$ 177,008
Total Assets	83,275,536	$ 82,609,200
Deferred Outflows of Resources	$ 3,007,811	$ 1,781,075
Liabilities		
Current Liabilities	3,810,748	$ 2,976,472
Other Liabilities, non-current	14,975,376	$ 13,743,346
Total Liabilities	18,786,124	$ 16,719,818
Deferred Inflows of Resources	4,215,778	$ 4,338,703
Net Position		
Net Investment in Capital Assets	70,759,075	$ 72,815,339
Restricted	3,783,545	$ 2,009,978
Unrestricted	(11,261,175)	$ (11,481,928)
Total Net Position	$ 63,281,445	$ 63,343,390

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The increase of $1.1 million of current assets in FY 2020 can be attributed to a combination of balance changes in current asset categories. Cash and cash equivalents increased by approximately $2.8 million from the prior year, accounts receivable decreased by $252k, and investments of $1.5 million were reclassified to non-current due to timing of maturity.

Net capital assets decreased by a net of $1.9 million in FY 2020 compared to prior year. This decrease was due to depreciation expense of $2.4 million offset by additions of approximately $526k. Compared to prior year, construction in process expenditures decreased significantly due to completion of the majority of design and planning services for the new Student Services building (SSIB). The College anticipates receiving funding for construction of the new building in the next biennium. Additional information on capital assets can be found in Note 6 to the financial statements.

Non-current assets in the current year, other than net capital assets, consist of the long-term portion of investments. The increase of approximately $1.6 million is the reclassification of current investments to non-current assets.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated with the implementation of GASB Statement No. 68 in FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018. The increase/decrease in deferred outflows reflect the College's proportionate share of an increase/decrease in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded $1,781,075 in FY2019 and $3,007,811 in FY2020 of pension and postemployment-related deferred outflows. The increase reflects the change in proportionate share.

Similarly, the slight decrease in deferred inflows in 2020 reflects the decrease in difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits. The College recorded $4,327,068 in FY2019 and $4,215,778 in FY2020 of deferred inflows related to pension and postemployment-related plans.

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, the current portion of pension and OPEB liabilities, 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 approximately $820k increase in current liabilities from FY 2019 to FY 2020 is due to several factors, including a $365k increase in deferred revenue due to unspent federal CARES Act funding, and an increase of $930k in amounts owed to the State Treasurer compared to the balance at FY2019 year-end. Deferred revenue also consists of summer tuition and fees paid in FY2020 for classes beginning in the new fiscal year. In FY2020 the current portion of pension and OPEB liabilities increased $12,000 – please refer to Note 15 in the Notes to the Financial Statements for information regarding pension and OPEB liabilities. Increases in current liabilities were offset by a $400,000 decrease in accrued payroll primarily due to reduced payroll liabilities at yearend due to reductions in staff during the year.

Non-current liabilities increased by approximately $1.2 million, primarily due to an increase of $1.4 million in total OPEB liability, offset by other balance changes. Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees, pension and OPEB liabilities, and the long-term portion of the Certificate of Participation (COP) debt. The College entered into COP debt of $955,000 in FY19 for renovation of the upper parking lot. Non-current debt of $895,000 is included in the total, as well as $145,953 of unamortized premium related to the debt.

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:

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:

Nonexpendable – consists of funds in which 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 Foundation. As a result, the college is only reporting a single endowment for $10,000 in this category.

Expendable – resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary expendable funds for the College are institutional aid, student fees for technology purchases, student fees to service debt for the parking lot Certificate of Participation, and also student fees collected to fund the student portion of the new Student Services and Instructional Building.

Unrestricted:

Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. 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.

Condensed Net Position As of June 30th	**FY 2020**	**FY 2019**
Net investment in capital assets	$70,759,075	$72,815,339
Restricted		
Nonexpendable - Middleton Endowment - Library	$10,000	$10,000
Expendable - Student Fees and Institutional Aid	$3,773,545	$1,999,978
Unrestricted	$ (11,250,949)	$ (11,481,928)
Total Net Position	**$63,291,671**	**$63,343,390**

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position accounts for the College's changes in total net position during FY 2020. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains and losses of the College.

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

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

A condensed comparison of the College's revenues, expense and changes in net position for the years ended June 30, 2020 and 2019 is presented on the next page:

Grays Harbor College
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Student tuition and fees, net	3,059,764	5,074,676
Auxiliary enterprise sales	583,861	905,474
Grants and contracts	11,476,120	10,090,004
Other operating revenues	106,443	646,904
Total operating revenues	**15,226,188**	**16,717,058**
Non-Operating Revenues		
State appropriations	12,420,167	11,381,360
Federal Pell grant revenue	3,420,295	3,955,684
Other non-operating revenues	973,493	38,324
Total non-operating revenues	16,813,955	15,375,368
Total revenues	**32,040,143**	**32,092,426**
Operating Expenses		
Salaries and Benefits	17,716,760	19,267,739
Scholarships	8,017,089	8,167,319
Depreciation	2,424,043	2,362,835
Other operating expenses	3,998,547	5,746,256
Total operating expenses	**32,156,440**	**35,544,149**
Non-Operating Expenses		
Building fee remittance	452,102	492,116
Other non-operating expenses	147,384	134,078
Total non-operating expenses	**599,486**	**626,194**
Total expenses	32,755,926	36,170,343
Excess (deficiency) before capital contributio	**(715,783)**	**(4,077,917)**
Capital appropriations and contributions	**653,837**	**3,065,347**
Change in Net position	**(61,945)**	**(1,012,570)**
Net Position		
Net position, beginning of year	63,343,390	64,355,960
	-	-
Net position, end of year	**63,281,445**	**63,343,390**

Revenues

The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2019, the SBCTC allocated funds to each of the 34 colleges based on three-year average FTE actuals. Additionally, the Supplemental Budget also reduced the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation will continue in FY2020.

Enrollments at the College have trended downward over the last several years and the trend continued in FY2020. In FY2019 the college served 1469 state funded full time equivalents compared to 1270 in FY2020. Enrollment for spring quarter declined more than anticipated due to Covid-19 pandemic related issues as the College converted to primarily online learning. Enrollment declines in spring quarter impacted most all areas of learning, with Running Start being the exception. Since enrollments decreased significantly in FY 2020, tuition and fee revenue declines are in line with the enrollment decrease.

Pell grant revenues generally follow enrollment trends and FY2020 follows this trend. Pell Grant revenue decreased $535k, tracking with the large enrollment decrease.

In FY 2020, grant and contract revenues increased by approximately $1.4 million when compared with FY 2019. The increase in revenue was due to increased enrollments in Running Start together with a 4% increase in contracted rates for that program, a $300k increase in state grants awarded through the State Board for Community and Technical Colleges, and several smaller grants in different areas of the college. 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 continues to contract with the Department of Corrections to provide educational programming to offenders housed in the Stafford Creek Correctional Institution.

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

The following table shows a comparison of revenues for the years ending June 30, 2020 and 2019. Total revenues decreased by approximately $2.33 million due to decreases in tuition and fees as a result of lower enrollment, a decrease of $535k in Pell grants related to enrollment declines, a significant decrease in auxiliary enterprise sales (bookstore and food service) due to Covid related closures of the campus, and reduction of capital appropriations of approximately $2.3 million as the majority of the design and engineering has been completed on the new Student Services Building (SSIB). Decreases were offset by increases in grants and contracts, and federal CARES Act funds of $910k in other non-operating revenues.

Revenues	FY2020	percent of total	FY2019	percent of total
State Appropriations	12,420,167	38%	11,381,360	32%
Student Tuition and Fees	3,059,764	9%	5,074,676	14%
Pell Grants	3,420,295	10%	3,955,684	11%
Grants & Contracts	11,476,120	35%	10,090,004	29%
Capital Appropriations	653,837	2%	2,963,990	8%
Auxiliary Enterprise Sales	583,861	2%	905,474	3%
Other Revenues	1,092,328	3%	662,305	2%
Total	**32,706,372**	**100%**	**35,033,493**	**100%**

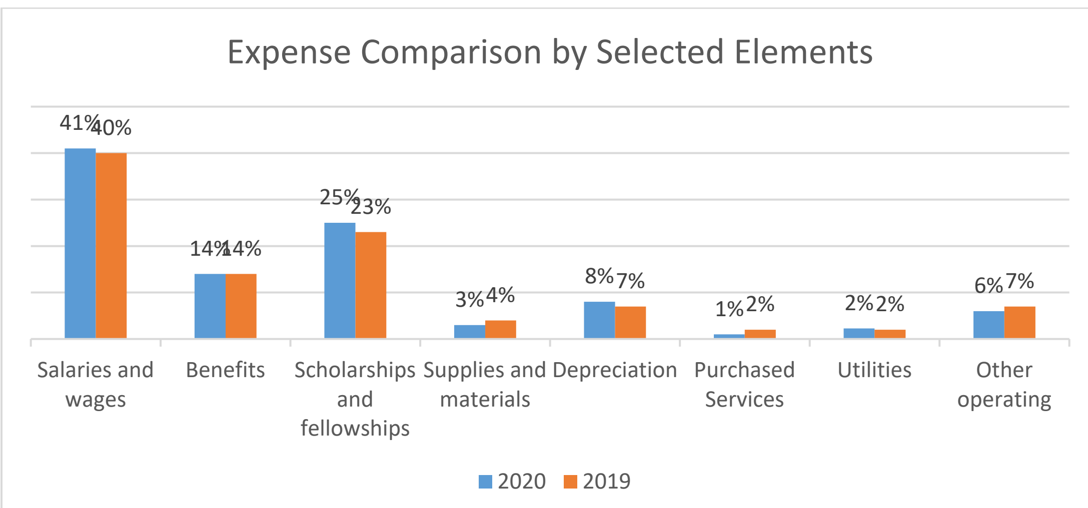
Expenses

The College experienced a 10.5% decrease in total expenditures in FY20 compared to FY19. The majority of this decrease is primarily due to two factors – staff reductions and other cost cutting due to significant budget constraints, and shifting to remote learning for spring quarter because of the Covid pandemic. Salaries and wages decreased by $1 million and benefits decreased by $524k because of the reductions, offset by 3% cost of living increases for classified and exempt employees, and 1.6% for faculty as of July 1, 2019. Utility costs decreased primarily due to buildings not utilized by staff with related decreased energy use, and cost cutting measures implemented to cut energy costs prior to the pandemic. Other costs related to operations also decreased significantly from FY2019, ranging from supplies to purchased services, as most students were attending class online in spring and most staff worked remotely starting mid-March. Business travel was put on hold in March due to state restrictions. In addition, athletic events were canceled or postponed, with related travel costs reduced, and the Food Service was closed spring quarter resulting in reduced cost of goods sold.

Comparison of Selected Operating Expenses

Operating expenses, for FY20 and FY19 are noted below, by natural classification, with comparative percentages for both years.

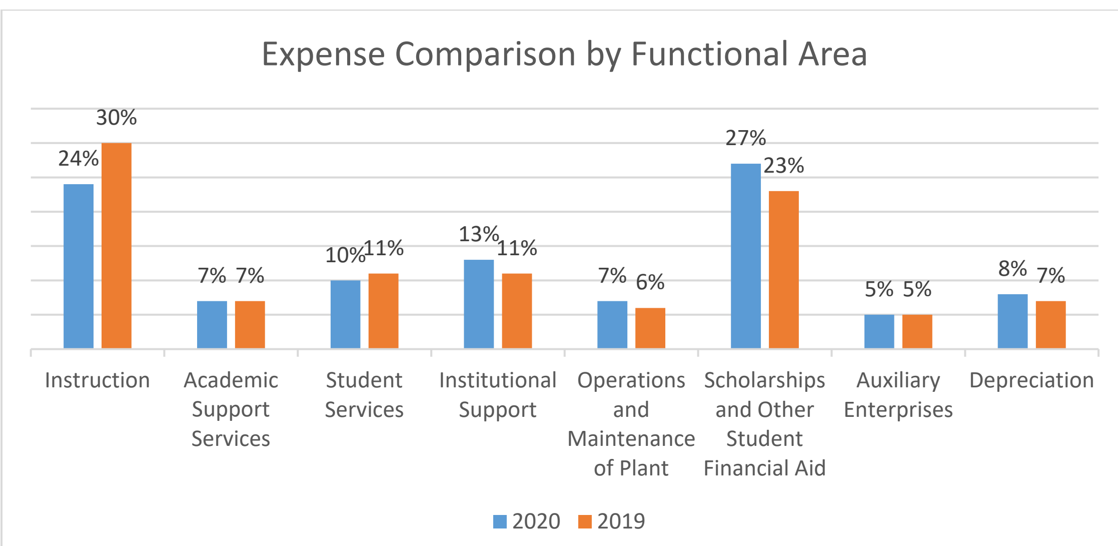
Expenses	FY2020	as a percent of total	FY2019	as a percent of total
Salaries and wages	13,303,976	41%	14,328,467	40%
Benefits	4,414,949	14%	4,939,273	14%
Scholarships and fellowships	8,017,089	25%	8,167,319	23%
Supplies and materials	1,020,015	3%	1,363,392	4%
Depreciation	2,424,043	8%	2,362,834	7%
Purchased Services	474,033	1%	958,575	2%
Utilities	556,868	2%	642,810	2%
Other operating	1,947,631	6%	2,781,479	7%
Total	**32,158,605**	**100%**	**35,544,149**	**100%**



Comparison of Selected Operating Expenses by Functional Area

Operating expenses for FY20 and FY19 are noted below by function classification, with comparative percentages for each year.

Expenses by Functional Classification	**FY2020**	**percent of total**	**FY2019**	**percent of total**
Instruction	7,844,274	24%	10,771,879	30%
Academic Support Services	2,226,525	7%	2,312,213	7%
Student Services	3,122,420	10%	3,905,886	11%
Institutional Support	4,160,248	13%	4,016,795	11%
Operations and Maintenance of Plant	2,185,983	7%	2,105,076	6%
Scholarships and Other Student Financial Aid	8,592,704	27%	8,299,245	23%
Auxiliary Enterprises	1,602,408	5%	1,770,220	5%
Depreciation	2,424,043	8%	2,362,835	7%
Total	**32,158,605**	**100%**	**35,544,149**	**100%**



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 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. The College entered into a Certificate of Participation (COP) of $955,000 in FY19 that funded significant improvements to the upper parking lot on the main campus in Aberdeen. Revenue from a fee increase in FY2018 has been accumulating to service the debt payments which started in FY19.

At June 30, 2020, the College had an investment in capital assets of $71,830,028 net of accumulated depreciation. This represents a decrease of $1,940,313 from last year, as shown in the table below.

Asset Type	June 30, 2020	June 30, 2019	Change
Land	$177,724	$177,724	$0
Construction in Progress	$2,784,088	$2,469,505	$314,583
Buildings, net	$66,607,415	$68,697,126	$ (2,089,711.00)
Other Improvements and Infrastructure	$1,564,941	$1,676,425	$ (111,484.00)
Equipment, net	$549,384	$599,642	$ (50,258.00)
Library Resources, net	$146,475	$149,918	$ (3,443.00)
Total Capital Assets, Net	**$71,830,028**	**$73,770,340**	**$ (1,940,313.00)**

The decrease in net capital assets can be attributed to $2.4 million of depreciation expense offset by asset additions, including $315k of continued design and engineering on the new Student Services and Instructional Building (SSIB) scheduled to replace the current HUB building. Construction funding for the SSIB is anticipated in the 21-23 biennium. Related construction in process balances increased by approximately $2.1 million during FY19. Additional information on capital assets can be found in Note #6 of the Notes to the Financial Statements.

At June 30, 2020, the College had $925,000 in outstanding debt. This represents a decrease of $30,000 from last year, as shown in the table below. The College entered into a Certificate of Participation (COP) for the upper parking lot improvements in FY19, the first time the College has entered into a COP for capital assets.

	June 30, 2020	June 20, 2019	Change
Certificates of Participation	925,000	955,000	(30,000)
Total	**$ 925,000**	**$ 955,000**	**$ (30,000)**

Additional information of notes payable, long-term debt and debt service schedules can be found in Notes 12, 13 and 14 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

In FY 2017, the State Board for Community and Technical Colleges elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Due to a continued decrease in enrollment, it is estimated that the College will likely see a decrease in state operating appropriations in future years.

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

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

In response to the possibility of decreased state appropriations and the trend in declining enrollment, the college is continuously seeking opportunities to increase enrollment and offer the necessary support to increase success for students. This includes implementing the Guided Pathways process to assist students in navigating through the educational course offerings and degrees in a more seamless process. The State is providing specific funds to support the Guided Pathways program. The College also continues working and collaborating with community partners to identify potential programs that could improve our course offerings, increase student retention, and remain relevant for education.

As in the prior year, reversing the trend in declining enrollment and related revenue issues are the most critical factors Grays Harbor College faces in the future. The College community is dedicated and focused on identifying strategies and initiatives that will increase enrollment in the short and long term.

GRAYS HARBOR COLLEGE
Statement of Net Position
June 30, 2020

Assets	
Current assets	
Cash and cash equivalents	$ 2,424,648
Restricted cash	3,783,545
Short-term investments	263,342
Accounts receivable	3,056,814
Inventories	184,706
Total current assets	9,713,055
Non-Current Assets	
Long-term investments	1,732,454
Non-depreciable capital assets	2,961,812
Capital assets, net of depreciation	68,868,216
Total non-current assets	73,562,482
Total assets	**83,275,536**
Deferred Outflows of Resources	
Deferred outflows related to pensions	1,610,832
Deferred outflows related to OPEB	1,396,979
Total deferred outflows of resources	3,007,811
Liabilities	
Current Liabilities	
Accounts payable	163,974
Accrued liabilities	2,628,304
Compensated absences, current portion	228,837
Unearned revenue	577,797
Leases and certificates of participation payable, current portion	30,000
Total pension liability, current portion	22,127
Total OPEB liability, current portion	159,709
Total current liabilities	3,810,748
Non-Current Liabilities	
Compensated absences	1,296,434
Certificates of participation payable	1,040,953
Net pension liability	2,031,261
Total pension liability	1,504,197
Total OPEB liability	9,102,532
Total non-current liabilities	14,975,376
Total liabilities	**18,786,124**
Deferred Inflows of Resources	
Deferred inflows related to pensions	1,483,302
Deferred inflows related to OPEB	2,732,476
Total deferred inflows of resources	4,215,778
Net Position	
Net Investment in Capital Assets	70,759,075
Restricted for:	
Nonexpendable	10,000
Expendable	3,773,545
Unrestricted (deficit)	(11,261,175)
Total Net Position	**$ 63,281,445**

GRAYS HARBOR COLLEGE

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2020

Operating Revenues		
Student tuition and fees, net of scholarship discounts and allowances	$	3,059,764
Auxiliary enterprise sales		583,861
State and local grants and contracts		9,449,327
Federal grants and contracts		2,026,793
Other operating revenues		106,443
Total operating revenue		15,226,188
Operating Expenses		
Salaries and wages		13,303,976
Benefits		4,412,784
Scholarships and fellowships		8,017,089
Supplies and materials		1,020,015
Depreciation		2,424,043
Purchased services		474,033
Utilities		556,868
Other operating expenses		1,947,631
Total operating expenses		32,156,439
Operating income (loss)		(16,930,252)
Non-Operating Revenues (Expenses)		
State appropriations		12,420,167
Federal non-operating revenue		898,044
Federal Pell grant revenue		3,420,295
Investment income, gains and losses		75,449
Building fee remittance		(452,102)
Innovation fund remittance		(108,309)
Interest on indebtedness		(39,075)
Net non-operating revenue (expenses)		**16,214,469**
Loss before capital contributions		(715,782)
Capital Contributions		
Capital appropriations		653,837
Increase (Decrease) in net position		(61,945)
Net Position		
Net position, beginning of year		63,343,390
Net position, end of year	$	63,281,445

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

GRAYS HARBOR COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flows from operating activities		
Student tuition and fees	$	2,895,380
Grants and contracts		13,194,001
Payments to vendors		(2,151,073)
Payments for utilities		(551,196)
Payments to employees		(13,672,843)
Payments for benefits		(4,528,526)
Auxiliary enterprise sales		598,463
Payments for scholarships and fellowships		(8,017,089)
Other receipts		106,443
Other payments		(1,956,979)
Net cash used by operating activities		(14,083,419)
Cash flows from noncapital financing activities		
State appropriations		12,112,289
Pell grants		3,420,295
Amounts for other than capital purposes		898,044
Building fee remittance		(469,481)
Innovation fund remittance		(116,944)
Net cash provided by noncapital financing activities		15,844,203
Cash flows from capital and related financing activities		
Capital appropriations		1,449,626
Purchases of capital assets		(546,086)
Principal paid on capital debt		(30,000)
Interest paid		(39,075)
Net cash used by capital and related financing activ		834,465
Cash flows from investing activities		
Purchase of investments		(12,955)
Income of investments		75,449
Net cash provided by investing activities		62,494
Increase in cash and cash equivalents		2,843,535
Cash and cash equivalents at the beginning of the year		3,364,659
Cash and cash equivalents at the end of the year		6,208,193
Reconciliation of Operating Loss to Net Cash used by Operating Activities		
Operating Loss		(16,930,252)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense		2,424,043
Changes in assets and liabilities		
Receivables, net		1,193,756
Inventories		(1,734)
Accounts payable		(134,211)
Accrued liabilities		(928,485)
Unearned revenue		364,996
Compensated absences		(51,562)
Pension liability adjustment		(19,914)
Net cash used by operating activities	$	(14,083,364)

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

GRAYS HARBOR COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

	2020
CURRENT ASSETS:	
Cash and cash equivalents	$ 622,969
Investments	10,138,259
Promises to give–current	230,458
Total current assets	10,991,686
OTHER ASSETS:	
Long-term investments	1,902,316
Assets held for investment	42,876
Other long-term assets	42,587
Total other assets	1,987,779
Total assets	$ 12,979,465

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	$ 19
NET ASSETS:	
Net assets without donor restrictions:	
Board designated	420,397
Undesignated	217,137
Total net assets without restrictions	637,534
Net assets with donor restrictions:	
Restricted for specified purpose	6,053,917
Restricted in perpetuity	6,287,995
Total net assets with donor restrictions	12,341,912
Total net assets	12,979,446
Total liabilities and net assets	$ 12,979,465

The accompanying notes are an integral part of these financial statements.

GRAYS HARBOR COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

	2020			
	Without Donor Restrictions	With Donor Restrictions		
		Specified Purpose	In Perpetuity	Total
SUPPORT AND REVENUE:				
Gifts and contributions	$ 32,109	$ 458,011	$ 1,075,029	$ 1,565,149
Investment income (loss)	(3,918)	(4,000)	-	(7,918)
Special event revenue--net	47,595	250	-	47,845
In-kind contributions	9,123	-	-	9,123
Other income	4,308	-	-	4,308
Loss on sale of other investments	-	-	-	-
Loss on prior year promises to give	(4,252)	-	-	(4,252)
Net assets released from restrictions -- satisfied by expenditures for specified purposes	883,146	(883,146)	-	-
Total revenues and support	968,111	(428,885)	1,075,029	1,614,255
FUNCTIONAL EXPENSES:				
Program services--				
Awards, grants and scholarships	761,968	-	-	761,968
Other college support	169,836	-	-	169,836
Total program services	931,804	-	-	931,804
Fundraising	22,540	-	-	22,540
Management and general	76,934	-	-	76,934
Total expenses	1,031,278	-	-	1,031,278
INCREASE (DECREASE) IN NET ASSETS	(63,167)	(428,885)	1,075,029	582,977
NET ASSETS, beginning	700,641	6,532,862	5,162,966	12,396,469
Net asset transfers	60	(50,060)	50,000	
NET ASSETS, ending	$ 637,534	$ 6,053,917	$ 6,287,995	$ 12,979,446

The accompanying notes are an integral part of these financial statements.

GRAYS HARBOR COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	2020						
	Program Services			Support Services			
	Awards, Grants and Scholarships	Other College Support	Total Program Services	Fundraising	Management and General	Total Support Services	Total
EXPENSES:							
Grants and allocations	$ 752,422	$ 167,708	$ 920,130	$ -	$ -	$ -	$ 920,130
Salaries, wages and benefits	9,546	2,128	11,674	11,674	54,656	66,330	78,004
Insurance	-	-	-	-	1,385	1,385	1,385
Office expense	-	-	-	-	1,477	1,477	1,477
In-kind expense	-	-	-	9,123	-	9,123	9,123
Miscellaneous	-	-	-	1,743	9,614	11,357	11,357
Professional fees	-	-	-	-	9,802	9,802	9,802
Total expenses	$ 761,968	$ 169,836	$ 931,804	$ 22,540	$ 76,934	$ 99,474	$ 1,031,278

The accompanying notes are an integral part of these financial statements.

GRAYS HARBOR COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

For the years ended June 30, 2020

		2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$	582,977
Adjustments to reconcile increase in net assets to net cash used by operating activities--		
Unrealized and realized (gains) losses on investments		330,997
Dividends and interest reinvested in investments		(379,193)
Contributions and earnings restricted for investment in endowments		(1,079,029)
Loss on sale of other investments		-
Noncash income--limited partnership		(4,308)
(Increase) decrease in--		
Promises to give		339,594
Increase (decrease) in--		
Accounts payable		(959)
Net cash used by operating activities		(209,921)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments		10,909,114
Proceeds from return of capital		-
Purchase of investments		(11,509,985)
Net cash provided (used) by investing activities		(600,871)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions and earnings restricted for investment in endowments		1,079,029
NET INCREASE IN CASH AND CASH EQUIVALENTS		268,237
CASH AND CASH EQUIVALENTS, at beginning of year		354,732
CASH AND CASH EQUIVALENTS, at end of year	$	622,969

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

June 30, 2020

These notes form an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

Grays Harbor 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 five-member Board of Trustees appointed by the Governor and confirmed by the state Senate. The College is an agency of the State of Washington. The financial activity of the college is included in the State's Comprehensive Annual Financial Report. These notes form an integral part of the financial statements.

The Grays Harbor College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1963 and recognized as a tax-exempt 501(c)(3) charity. The Foundation's charitable purpose is to support the students and mission of Grays Harbor College. 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. 61, 39 and 14. 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 financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2020, the Foundation distributed approximately *$752,422* to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at Grays Harbor College, 1620 Edward P. Smith Drive, Aberdeen WA, 360-538-4243.

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, includes state and federal appropriations, and certain grants and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met.

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand and bank demand deposits. Cash 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.

Accounts Receivable

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

Inventories

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

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 have been misleading.

Land, buildings 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 equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

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, 2020, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. Unearned revenues also include tuition and fees paid with financial aid funds. The College has recorded summer quarter tuition and fees as 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. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Pension Liability

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

The College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB 73 Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 (Accounting and Financial Reporting for Pensions). The reporting requirements are similar to GASB 68 but use current fiscal yearend as the measurement date for reporting the pension liabilities.

OPEB Liability

In fiscal year 2018, the College implemented GASB Statement No. 75, Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB). This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one-year lag measurement date similar to GASB 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 that are provided with pensions through each pension plan. Employer transactions to pension plans made subsequent to the measurement date are also deferred and reduce pension liabilities in the subsequent year.

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

Net Position

The College's net position is classified, as follows:

> **Net investment in capital assets** – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted net position, expendable – This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to principle..

Unrestricted net position – These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues and Expenses

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

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

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

Non-operating Revenues. This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government. In FY 20 non-operating revenues also included funds received through the federal CARES act.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2020 are $2,655,411.

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 ERP software across the entire system. On a monthly basis, the College's 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. For FY20, the building fee remittance was $452,102 and the innovation fund remittance was $108,309.

Use of Estimates

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

Note 2 - Accounting and Reporting Changes

Accounting Standard 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 was to be effective for the fiscal year ending June 30, 2021. GASB 95 has postponed the effective date to fiscal year 2022. This Statement require that interest cost incurred before the end of a construction period be recognized as 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 and petty cash held at the College.

As of June 30, 2020, the carrying amount of the College's cash and equivalents was $6,208,193 as represented in the table below.

Cash and Cash Equivalents		June 30, 2020
Petty Cash and Change Funds	$	6,575
Bank Demand and Time Deposits		6,201,618
Total Cash and Cash Equivalents	**$**	**6,208,193**

Cash and cash equivalents include restricted cash and cash equivalents of $3,783,545 at June 30, 2020. The majority of the restricted balances comes from the collection of student self-assessed fees for their contribution towards the construction of the athletic multi-purpose field project.

Custodial Credit Risks—Deposits

Custodial credit risk is the risk that in the event of the failure of the depository financial institution, the College would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The College's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All of the College's securities are registered in the College's name by the custodial bank. As a result, custodial credit risk for such investments is not applicable.

Investments – Operating Funds

Investments consist of time certificates of deposit. Time certificates of deposit have repurchase agreements with the respective financial institutions.

Interest Rate Risk—Investments

The College manages its exposure to interest rate changes by limiting the duration of investments to mature at various points in time. Current procedure is that no investment may exceed 60 months.

Concentration of Credit Risk—Investments

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. College policy does not limit the amount the College may invest in any one issuer.

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. At June 30, 2020, $1,995,796 of the College's operating fund investments, held by Bank of the Pacific are exposed to custodial credit risk as follows.

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Time Certificate of Deposits	1,995,796	263,342	1,732,454	-	-
Total Investments	**1,995,796**	**263,342**	**1,732,454**	**-**	**-**

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, 2020, accounts receivable were as follows:

Accounts Receivable		**Amount**
Student Tuition and Fees	$	153,064
Due from the Federal Government		67,114
Due from Other State Agencies		2,852,968
Due from Other Governments		22,731
Auxiliary Services		-
Other		-
Subtotal		3,095,877
Less Allowance for Uncollectible Accounts		(39,063)
Accounts Receivable, net	**$**	**3,056,814**

Note 5 – Inventories

Inventories as of June 30, 2020, were as follows:

Inventories	**Method**		**Amount**
Merchandise Inventories (FIFO)			184,706
Inventories		**$**	**184,706**

Note 6 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2020 is presented as follows. The current year depreciation expense was $2,424,039.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	$ 177,724	$ -	$ -	$ 177,724
Construction in progress	2,469,505	314,583	-	2,784,088
Total capital assets, non-depreciable	2,647,229	314,583	-	2,961,812
Capital assets, depreciable				
Buildings	90,445,050	55,230	-	90,500,280
Other improvements and infrastructure	2,115,236	-	-	2,115,236
Equipment	3,607,823	122,414	(669,019)	3,061,218
Library resources	283,045	39,428	(32,611)	289,862
Total capital assets, depreciable	96,451,154	217,072	(701,630)	95,966,596
Less accumulated depreciation				
Buildings	21,747,931	2,144,929	-	23,892,860
Other improvements and infrastructure	438,810	111,485	-	550,295
Equipment	3,008,179	124,750	(621,099)	2,511,830
Library resources	133,123	42,875	(32,611)	143,387
Total accumulated depreciation	25,328,043	2,424,039	(653,710)	27,098,372
Total capital assets, depreciable, net	71,123,111	(2,206,967)	(47,920)	68,868,224
Capital assets, net	**$ 73,770,340**	**$ (1,892,384)**	**$ (47,920)**	**$ 71,830,036**

Note 7 - Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2020, were as follows:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 1,529,259
Accounts Payable	163,974
Due to Other Agencies	1,099,045
Total	**$ 2,792,278**

Note 8 - Unearned Revenue

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

Unearned Revenue	Amount
Summer Quarter Tuition & Fees	$ 120,875
CARES Act	$ 456,922
Total Unearned Revenue	$ 577,797

Note 9 - Risk Management

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

The College 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. Payments made for claims from July 1, 2019 through June 30, 2020, were $153,241.

Note 10 - Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $873,925 and accrued sick leave totaled $651,291 at June 30, 2020.

Accrued annual and sick leave are categorized as non-current liabilities, with the current portion listed separately on the financial statements.

Note 11 - Leases Payable

Operating Leases

The College has leases for office equipment with various vendors. These leases are classified as operating leases.

As of June 30, 2020, the minimum lease payments under operating leases consist of the following:

Fiscal year	Operating Leases	
2021	$	27,318
2022		17,056
2023		6,088
2024		-
Total minimum lease payments	**$**	**50,462**

Note 12 - Notes Payable

In 2018, the College obtained financing in order to renovate the upper campus parking lot, through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $955,000. The students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 2019. The interest rate charged is 3.35725%.

Student fees related to the COP are accounted for in a dedicated fund, which is used to pay principal and interest.

The College's debt service requirements for this note agreement for the next four years and thereafter are as follows in Note 13.

Note 13 - Annual Debt Service Requirements

Future debt service requirements at June 30, 2020 are as follows:

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2021	30,000	45,500	75,500
2022	30,000	44,000	74,000
2023	35,000	42,375	77,375
2024	35,000	40,625	75,625
2025-2029	205,000	174,375	379,375
2030-2034	255,000	116,875	371,875
2035-2039	335,000	43,625	378,625
Total	**$ 925,000**	**$ 507,375**	**$ 1,432,375**

Note 14 - Schedule of Long Term Liabilities

	Balance outstanding 6/30/19	Additions	Reductions	Balance outstanding 6/30/20	Current portion
Certificates of Participation	$ 955,000	$ -	$ 30,000	$ 925,000	$ 30,000
Compensation absences	1,576,833	701,091	744,965	1,532,959	228,837
Net pension liability	2,341,584	1,488,001	1,798,324	2,031,261	
Total pension liability	1,296,009	1,526,324	1,291,514	1,530,819	22,127
Total OPEB liability	7,862,169	4,504,152	3,119,432	9,246,890	159,709
Total	**$ 14,031,595**	**$ 8,219,568**	**$ 6,984,235**	**$ 15,266,929**	**$ 440,673**

Note 15 - Retirement Plans

A. General

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

Basis of Accounting

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

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 and No. 73 for the College, for fiscal year 2020:

Aggregate Pension Amounts - All Plans		
Pension Liabilities	$	3,557,585
Deferred outflows of resources related to pensions	$	(1,610,832)
Deferred inflows of resources related to pensions	$	1,483,302
Pension Expense	$	(474,637)

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 three defined benefit/ defined contribution plans. Below are the DRS plans that the College participates in:

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

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

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

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

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

Higher Education

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

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

PERS

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

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

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

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

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

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

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

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

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

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

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

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

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

TRS

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

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

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

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

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

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

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

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

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

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

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

The employer contribution rates (expressed as a percentage of covered payroll) and actual contributions for the year ended June 30, 2020 were as follows:

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rate	12.83%	12.83%	15.41%	15.41%
Actual Contributions	$ 191,004	$ 317,148	$ 119,743	$ 134,436

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

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

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

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the 2007-2012 Experience Study Report and the 2017 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report.

The Office of the State Actuary (OSA) selected a 7.40 percent long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the WSIB.
The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Fixed Income	20%	2.2%
Tangible Assets	7%	5.1%
Real Estate	18%	5.8%
Global Equity	32%	6.3%
Private Equity	23%	9.3%
Total	**100%**	

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

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

Discount rate

The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

Pension Plan	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1	1,385,065	1,106,001	863,876
PERS 2/3	2,727,816	354,950	(1,590,840)
TRS 1	584,489	454,265	346,983
TRS 2/3	611,959	109,179	(293,978)

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

Pension Liabilities. At June 30, 2020, the College reported a total pension liability of $2,031,261 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$1,106,001
PERS 2/3	$355,666
TRS 1	$457,306
TRS 2/3	$112,288

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 Plan	2018	2019	Change
PERS 1	0.028781%	0.028762%	-0.000019%
PERS 2/3	0.035400%	0.036616%	0.001216%
TRS 1	0.013576%	0.018471%	0.004895%
TRS 2/3	0.012291%	0.018636%	0.006345%

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

Pension Expense. For the year ended June 30, 2020 the College recognized pension expense as follows:

	Pension Expense	
PERS 1	$	50,063
PERS 2/3	$	99,049
TRS 1	$	173,688
TRS 2/3	$	84,439
Total	**$**	**407,239**

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, 2020:

	PERS 1			
		Deferred Outflows		Deferred Inflows
Difference between expected and actual experience		-		-
Difference between expected and actual earnings of pension plan investments		-		73,890
Changes of assumptions		-		-
Changes in College's proportionate share of pension liabilities		-		-
Contributions subsequent to the measurement date		191,004		-
Totals	**$**	**191,004**	**$**	**73,890**

	PERS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	101,899	76,466
Difference between expected and actual earnings of pension plan investments	-	517,705
Changes of assumptions	9,107	149,226
Changes in College's proportionate share of pension liabilities	73,908	43,292
Contributions subsequent to the measurement date	317,148	-
Totals	**$ 502,063**	**$ 786,689**

	TRS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	35,072
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	119,743	-
Totals	**$ 119,743**	**$ 35,072**

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	78,076	3,613
Difference between expected and actual earnings of pension plan investments	-	96,944
Changes of assumptions	42,332	29,835
Changes in College's proportionate share of pension liabilities	72,395	6,866
Contributions subsequent to the measurement date	134,436	-
Totals	**$ 327,239**	**$ 137,258**

The $1,140,052 reported as deferred outflows of resources represent the deferred outflows 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:

Year ended June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2021	(16,312)	(149,616)	(7,199)	(7,274)
2022	(38,638)	(260,062)	(18,828)	(29,048)
2023	(13,788)	(112,194)	(6,621)	655
2024	(5,153)	(57,423)	(2,423)	10,640
2025	-	(29,451)	-	18,814
Thereafter	-	6,972	-	61,758
Total Net Deferred (Inflows)/Outflows	**(73,890)**	**(601,774)**	**(35,072)**	**55,545**

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2020 were *$551,867* and *$551,939* respectively.

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

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

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

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

The SRP pension benefits are unfunded. For the year ended June 30, 2020, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of $1,785,000. The College's share of this amount was $18,579. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2020, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $31,036. This amount was not used as a part of GASB 73 calculations its status as an asset has not been determined by the Legislature. As of June 30, 2020, the Community and Technical College system accounted for $23,208,875 of the fund balance.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2018, with the results rolled forward to the June 30, 2020, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Material assumption changes during the measurement period include the discount rate decrease from 3.50 percent to 2.21 percent.

Discount Rate. For purposes of determining the discount rate, the Bond Buyer 20-Bond general obligation index was used. Also reflected was the Fiscal Year 2020 returns for the Teachers Insurance and Annuity Association of America (TIAA) and CREF investments which are used to determine a member's assumed income.

Pension Expense. Pension expense for the fiscal year ending June 30, 2020 was $67,398.

Proportionate Share (%)		**1.04061%**
Service Cost	$	36,592
Interest		41,162
Amortization of Differences Between Expected and Actual Experience		(26,323)
Amortization of Changes of Assumptions		38,509
Changes of Benefit Terms		-
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		**89,940**
Amortization of the Change in Proportionate Share of TPL		(22,542)
Total Pension Expense	**$**	**67,398**

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for fiscal year ending June 30, 2020 was 1.04%. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating College's. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Proportionate Share (%) 2019	**1.17%**
Proportionate Share (%) 2020	**1.04%**
Total Pension Liability - Ending 2019	$ 1,296,011
Total Pension Liability - Beginning 2020	1,148,679
Total Pension Liability - Change in Proportion	(147,332)
Total Deferred Inflow/Outflows - 2019	154,935.18
Total Deferred Inflow/Outflows - 2020	137,321.99
Total Deferred Inflows/Outflows - Change in Proportion	(22,542)
Total Change in Proportion	**$ (164,945)**

Plan Membership. Membership in the State Board Supplemental Retirement Plan consisted of the following as of June 30, 2018, the most recent actuarial valuation date:

	Number of Participating Members			
Plan	**Inactive Members or Beneficiaries Currently Receiving Benefits**	**Inactive Members Entitled to But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
SBRP	5	11	61	77

Change in Total Pension Liability. The following table presents the change in total pension liability of the State Board Supplemental Retirement Plan at June 30, 2020:

Schedule of Changes in Total Pension Liability	Amount
Service Cost	$ 36,592
Interest	41,162
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	86,730
Changes in Assumptions	231,739
Benefit Payments	(18,579)
Change in Proportionate Share of TPL	(147,332)
Other	-
Net Change in Total Pension Liability	230,312
Total Pension Liability - Beginning	1,296,011
Total Pension Liability - Ending	**$ 1,526,323**

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

1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
$ 1,755,139	$ 1,526,324	$ 1,337,801

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

At June 30, 2020, 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 of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 123,355	$ 192,541
Changes of Assumptions	290,507	$ 52,361
Changes in College's proportionate share of pension liability	56,917	$ 205,486
Transactions Subsequent to the Measurement Date	-	-
Total	**$ 470,780**	**$ 450,388**

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

State Board Supplemental Retirement Plan	
2021	(10,356)
2022	(10,356)
2023	(10,356)
2024	6,796
2025	32,523
Thereafter	12,142

Note 16 - Other Post-Employment Benefits

Plan Description. In addition to pension benefits as described in Note 16, the College, through the Health Care Authority (HCA), administers a single employer defined benefit other postemployment benefit (OPEB) plan. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

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

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

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

Summary of Plan Participants
As of June 30, 2019

Active Employees*	186
Retirees Receiving Benefits**	69
Retirees Not Receiving Benefits***	2
Total Active Employees and Retirees	257

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

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

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

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

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2018, the average weighted implicit subsidy was valued at $347 per adult unit per month. In calendar year 2019, the average weighted implicit subsidy is projected to be $367 per adult unit per month. In calendar year 2020, the average weighted implicit subsidy is projected to be $373 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2019 the explicit subsidy was $168 per member per month. It is projected to increase to $183 per member per month in calendar year 2020.

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

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

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

Required Premium*		
Medical	$	1,100
Dental		81
Life		4
Long-term Disability		2
Total		1,187
Employer contribution		1,024
Employee contribution		162
Total	$	1,186

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

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

Total OPEB Liability

As of June 30, 2019, the state reported a total OPEB liability of $5.80 billion. The College's proportionate share of the total OPEB liability is $9,262,241. This liability was determined based on a measurement date of June 30, 2019.

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

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

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

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

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

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

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

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond

Municipal Bond Index, or 3.87 percent for the June 30, 2018 measurement date and 3.5 percent for the June 30, 2019 measurement date.

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

Changes in Total OPEB Liability

As of June 30, 2019, 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:

Grays Harbor College		
Proportionate Share (%)		**0.1595876256%**
Service Cost	$	375,033
Interest Cost		325,320
Differences Between Expected and Actual Experience		-
Changes in Assumptions*		605,832
Changes of Benefit Terms		-
Benefit Payments		(148,814)
Changes in Proportionate Share		242,701
Other		-
Net Change in Total OPEB Liability		1,400,072
Total OPEB Liability - Beginning		7,862,169
Total OPEB Liability - Ending	**$**	**9,262,241**

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

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

Discount Rate Sensitivity		
1% Decrease	**Current Discount Rate**	**1% Increase**
$ 11,216,264	$ 9,262,241	$ 7,744,544

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

Health Care Cost Trend Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$ 7,496,378	$ 9,262,241	$ 11,638,825

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

For the year ending June 30, 2020, the College will recognize OPEB expense of $448,040. OPEB expense consists of the following elements:

Grays Harbor College	
Proportionate Share (%)	**0.1595876256%**
Service Cost	$ 375,033
Interest Cost	325,320
Amortization of Differences Between Expected and Actual Experience	35,333
Amortization of Changes in Assumptions	(339,191)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	51,545
Administrative Expenses	-
Total OPEB Expense	**$ 448,040**

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

Grays Harbor College		
Proportionate Share (%)	**0.1595876256%**	
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience	$ 247,331	$ -
Changes in assumptions	538,517	2,685,523
Transactions subsequent to the measurement date	159,709	-
Changes in proportion	451,421	46,953
Total Deferred Inflows/Outflows	**$ 1,396,978**	**$ 2,732,476**

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 (%)		**0.1595876256%**
2021	$	(252,313)
2022	$	(252,313)
2023	$	(252,313)
2024	$	(252,313)
2025	$	(252,313)
Thereafter	$	(233,642)

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

Proportionate Share (%) 2018		**0.1548087467%**
Proportionate Share (%) 2019		**0.1595876256%**
Total OPEB Liability - Ending 2018	$	7,862,169
Total OPEB Liability - Beginning 2019		8,104,870
Total OPEB Liability Change in Proportion		242,701
Total Deferred Inflows/Outflows - 2018		(2,580,879)
Total Deferred Inflows/Outflows - 2019		(2,660,550)
Total Deferred Inflows/Outflows Change in Proportion		(79,671)
Total Change in Proportion	**$**	**322,372**

Note 17 - 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, 2020.

Expenses by Functional Classification		
Instruction	$	7,844,274
Academic Support Services		2,226,525
Student Services		3,122,420
Institutional Support		4,160,248
Operations and Maintenance of Plant		2,185,983
Scholarships and Other Student Financial Aid		8,592,704
Auxiliary enterprises		1,602,408
Depreciation		2,424,043
Total operating expenses	**$**	**32,158,605**

Note 18 - Commitments and Contingencies

As of June 30, 2020 the College has an outstanding commitment of approximately $1,417,249 for design and architectural services during the construction phase of the new Student Services building. Funding for construction has not been approved by the legislature, but is anticipated for the 21-23 biennium.

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.

Note 19 - Subsequent Events

As of the date of the report, there are no events that would require disclosure.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Grays Harbor College’s Proportionate Share of the Net Pension Liability

Schedule of Grays Harbor College's Share of the Net Pension Liability Public Employees’ Retirement System (PERS) Plan 1 Measurement Date of June 30					
Fiscal Year	College’s proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College’s proportionate share of the net pension liability as a percentage of its covered payroll	Plan’s fiduciary net position as a percentage of the total pension liability
2014	0.033954%	$ 1,710,449	$ 3,295,503	51.90%	61.19%
2015	0.031287%	$ 1,636,601	$ 3,240,796	50.50%	59.10%
2016	0.032664%	$ 1,754,211	$ 3,630,757	48.32%	57.03%
2017	0.030860%	$ 1,464,312	$ 3,674,522	39.85%	61.24%
2018	0.028781%	$ 1,285,369	$ 3,736,712	34.40%	63.22%
2019	0.028762%	$ 1,106,001	$ 4,009,234	27.59%	67.12%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Grays Harbor College's Proportionate Share of the Net Pension Liability

Schedule of Grays Harbor College's Share of the Net Pension Liability

Public Employees' Retirement System (PERS) Plan 2/3

Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.033589%	$ 678,955	$ 2,897,653	23.43%	93.29%
2015	0.033600%	$ 1,202,012	$ 2,988,284	40.22%	89.20%
2016	0.035428%	$ 1,783,772	$ 3,327,880	53.60%	85.82%
2017	0.036853%	$ 1,280,448	$ 3,603,585	35.53%	90.97%
2018	0.035400%	$ 604,423	$ 3,671,729	16.46%	95.77%
2019	0.036616%	$ 355,666	$ 3,988,166	8.92%	97.77%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Grays Harbor College's Proportionate Share of the Net Pension Liability

Schedule of Grays Harbor College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.013976%	$ 385,671	$ 485,076	79.51%	68.77%
2015	0.016342%	$ 517,738	$ 698,846	74.08%	65.70%
2016	0.013798%	$ 471,096	$ 596,576	78.97%	62.07%
2017	0.013847%	$ 418,626	$ 644,073	65.00%	65.58%
2018	0.013576%	$ 396,500	$ 764,761	51.85%	66.52%
2019	0.018471%	$ 457,306	$ 1,283,734	35.62%	70.37%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Grays Harbor College's Proportionate Share of the Net Pension Liability

Schedule of Grays Harbor College's Share of the Net Pension Liability

Teachers' Retirement System (TRS) Plan 2/3

Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.853200%	$ 27,557	$ 380,076	7.25%	96.81%
2015	0.012215%	$ 103,070	$ 593,846	17.36%	92.48%
2016	0.009661%	$ 132,674	$ 488,426	27.16%	88.72%
2017	0.010015%	$ 94,430	$ 533,976	17.68%	93.14%
2018	0.012291%	$ 55,324	$ 716,830	7.72%	96.88%
2019	0.018636%	$ 112,288	$ 1,283,734	8.75%	96.36%
2020					
2021					
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans
Schedules of Contributions

Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 153,096	$ 153,096	$ -	$ 3,295,503	4.65%
2015	$ 142,600	$ 142,600	$ -	$ 3,240,796	4.40%
2016	$ 191,843	$ 191,843	$ -	$ 3,630,757	5.28%
2017	$ 179,694	$ 179,694	$ -	$ 3,674,522	4.89%
2018	$ 194,209	$ 194,209	$ -	$ 3,736,612	5.20%
2019	$ 208,923	$ 208,923	$ -	$ 4,009,234	5.21%
2020	$ 192,091	$ 192,091	$ -	$ 4,008,033	4.79%
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 143,975	$ 143,975	$ -	$ 2,897,653	4.97%
2015	$ 150,044	$ 150,044	$ -	$ 2,988,284	5.02%
2016	$ 207,075	$ 207,075	$ -	$ 3,327,880	6.22%
2017	$ 224,503	$ 224,503	$ -	$ 3,603,585	6.23%
2018	$ 279,758	$ 279,758	$ -	$ 3,671,729	7.62%
2019	$ 300,320	$ 300,320	$ -	$ 3,988,166	7.53%
2020	$ 317,202	$ 317,202	$ -	$ 4,008,033	7.91%
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 26,858	$ 26,858	$ -	$ 485,076	5.54%
2015	$ 37,553	$ 37,553	$ -	$ 698,846	5.37%
2016	$ 43,517	$ 43,517	$ -	$ 596,576	7.29%
2017	$ 47,524	$ 47,524	$ -	$ 644,073	7.38%
2018	$ 56,459	$ 56,459	$ -	$ 764,761	7.38%
2019	$ 92,507	$ 92,507	$ -	$ 1,283,734	7.21%
2020	$ 118,843	$ 118,843	$ -	$ 1,663,467	7.14%
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 22,138	$ 22,138	$ -	$ 380,076	5.82%
2015	$ 33,798	$ 33,798	$ -	$ 593,846	5.69%
2016	$ 32,582	$ 32,582	$ -	$ 488,426	6.67%
2017	$ 35,883	$ 35,883	$ -	$ 533,976	6.72%
2018	$ 55,930	$ 55,930	$ -	$ 716,830	7.80%
2019	$ 97,603	$ 97,603	$ -	$ 1,283,734	7.60%
2020	$ 132,960	$ 132,960	$ -	$ 1,663,467	7.99%
2021					
2022					
2023					

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

State Board Supplemental Defined Benefit Plans

Grays Harbor College Fiscal Year Ended June 30, 2020 *(expressed in thousands)*					
		2017	2018	2019	2020
Total Pension Liability					
	Service Cost	$ 63,379	$ 47,624	$ 33,478	$ 36,592
	Interest	41,114	43,766	40,495	41,162
	Changes of benefit terms	-	-	-	-
	Differences between expected and actual experience	(296,431)	(129,443)	76,348	86,730
	Changes of assumptions	(70,006)	(43,791)	143,556	231,739
	Benefit Payments	(10,595)	(16,177)	(21,349)	(18,579)
	Change in Proportionate Share		70,808	(61,309)	(147,332)
	Other	-	-	-	-
Net Change in Total Pension Liability		**(272,539)**	**(27,213)**	**211,219**	**230,312**
Total Pension Liability - Beginning		**1,384,543**	**1,112,003**	**1,084,790**	**1,296,009**
Total Pension Liability - Ending		**$ 1,112,004**	**$ 1,084,790**	**$ 1,296,009**	**$ 1,526,323**
College's Proportion of the Pension Liability			1.244100%	1.174080%	1.040000%
Covered-employee payroll			$ 7,009,203	$ 6,773,708	$ 6,250,977
Total Pension Liability as a percentage of covered-			0.154766526	0.191329328	0.244173511

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

Required Supplementary Information

Other Postemployment Benefits Information

Schedule of Changes in Total OPEB Liability and Related Ratios Measurement Date of June 30*						
Total OPEB Liability		**2020**		**2019**		**2018**
Service cost	$	375,033	$	491,555	$	598,616
Interest cost		325,320		337,941		280,395
Difference between expected and actual experience				308,475		-
Changes in assumptions		605,832		(2,151,955)		(1,367,773)
Changes in benefit terms				-		-
Benefit payments		(148,814)		(142,730)		(142,894)
Changes in proportionate share		242,701		188,946		(71,511)
Other				-		-
Net Changes in Total OPEB Liability	$	1,400,072	$	(967,768)	$	(703,167)
Total OPEB Liability - Beginning	$	7,862,169	$	8,829,937	$	9,533,104
Total OPEB Liability - Ending	$	9,262,241	$	7,862,169	$	8,829,937
College's proportion of the Total OPEB Liability (%		0.15958723%		0.15480875%		0.15156600%
Covered-employee payroll	$	12,149,594	$	12,081,256	$	11,825,467
Total OPEB Liability as a percentage of covered-		76.234981%		65.077414%		74.668823%

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

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the 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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