



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Grays Harbor College

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

Published July 7, 2022

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**Office of the Washington State Auditor
Pat McCarthy**

July 7, 2022

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 activities and condition.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor
Olympia, WA

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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, 2020 through June 30, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated June 30, 2022.

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.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

June 30, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Grays Harbor College July 1, 2020 through June 30, 2021

Board of Trustees
Grays Harbor College
Aberdeen, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

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

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements

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

Matters of Emphasis

As discussed in Note 1, the financial statements of the 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, 2021, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, legislation created a trust arrangement for assets dedicated to paying the Higher Education Supplemental Retirement Plan benefits to plan members. As a result, the College transitioned to accounting for the plan in accordance with Governmental Accounting standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Required Supplementary Information

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

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large initial "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

June 30, 2022

**Grays Harbor College
July 1, 2020 through June 30, 2021**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021

Statement of Revenues, Expenses and Changes in Net Position – 2021

Statement of Cash Flows – 2021

Foundation Statement of Financial Position – 2021

Foundation Statement of Activities and Changes in Net Assets – 2021

Foundation Statement of Functional Expenses – 2021

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Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Grays Harbor College's Share of the Net Pension Liability – PERS 1,
PERS 2/3, TRS 1, TRS 2/3 – 2021

Schedule of Contributions – PERS 1, PERS 2/3, TRS 1, TRS 2/3 – 2021

Schedule of Changes in the Net Pension Liability and Related Ratios – State Board
Supplemental Defined Benefit Plans and Notes – 2021

Schedule of Employer Contributions – State Board Supplemental Defined Benefit Plan –
2021

Schedule of Changes in the Total OPEB Liability and Related Ratios – Other
Postemployment Benefit Information and Notes – 2021

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

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, associate degrees, certificates and high school diplomas. For the fiscal year ending June 30, 2021, the College served 1079 state funded full-time equivalent (FTE) students, and 482 contract FTEs. Actual unduplicated state funded headcount totaled 1809 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 96,500 as of the 2020 census. The College also has educational centers in 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, 2021. 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, 2021		
	2021	2020
Assets		
Current Assets	\$ 13,948,861	\$ 9,713,055
Capital Assets, net	69,964,139	\$ 71,728,662
Other Assets, non-current	1,740,342	\$ 1,732,454
Total Assets	85,653,342	\$ 83,174,170
Deferred Outflows of Resources	\$ 2,963,420	\$ 3,007,811
Liabilities		
Current Liabilities	2,768,583	\$ 3,810,790
Other Liabilities, non-current	12,623,134	\$ 14,975,376
Total Liabilities	15,391,717	\$ 18,786,166
Deferred Inflows of Resources	5,166,591	\$ 4,215,778
Net Position		
Net Investment in Capital Assets	68,931,111	\$ 70,657,709
Restricted	4,142,272	\$ 3,783,545
Unrestricted	(5,014,929)	\$ (11,261,175)
Total Net Position	\$ 68,058,455	\$ 63,180,079

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The increase of \$4.2 million of current assets in FY 2021 can be attributed to a combination of balance changes in current asset categories. Cash and cash equivalents increased from the prior year primarily due to the receipt of Federal COVID-19 related institutional grant funds and additional accumulation of restricted parking and building fund reserves. Short term investments increased due to a new investment of approximately \$565k. Accounts receivable decreased because of the availability of multiple emergency aid funds to support the cost of attendance of enrolled eligible students.

Net capital assets decreased by a net of \$1.76 million in FY 2021 compared to the prior year. This decrease was due to depreciation expense of \$2.4 million offset by additions of approximately \$700k. Similar to FY20, construction in process expenditures decreased due to completion of the majority of design and planning services for the new Student Services building (SSIB). The College has received funding for construction of the new building in the 21-23 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. There was not material change between FY21 compared to FY20.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits related to GASB Statement No. 68, Statement No. 73, and Statement No. 75. 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 \$3,007,811 in FY2020 and \$2,963,420 in FY2021 of pension and postemployment-related deferred outflows. The slight decrease reflects the change in proportionate share.

Similarly, the increase in deferred inflows in FY2021 reflects the increase in difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits. The College recorded \$4,215,778 in FY2020 and \$5,166,591 in FY2021 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 \$1 million decrease in current liabilities from FY 2020 to FY 2021 is due to a decrease of approximately \$900k in amounts owed to the State Treasurer compared to the balance at FY2020 year-end. In FY21 the current portion of pension and OPEB liabilities decreased \$19,000 – please refer to Note 15 in the Notes to the Financial Statements for information regarding pension and OPEB liabilities.

Non-current liabilities decreased by approximately \$2.3 million, primarily due to a decrease of \$1.9 million in non-current pension 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 \$865,000 is included in the total, as well as \$138,028 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	FY2021	FY2020
Net investment in capital assets	\$68,931,111	\$70,657,709
Restricted		
Nonexpendable - Middleton Endowment - Library	\$10,000	\$10,000
Expendable - Student Fees and Institutional Aid	\$4,132,272	\$3,773,545
Unrestricted	\$ (5,014,929)	\$ (11,261,175)
Total Net Position	\$68,058,455	\$63,180,079

Statement of Revenues, Expenses and Changes in Net Position

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

Generally, **Operating revenues** are earned by the College in exchange for providing goods and services. Tuition, grants and contracts 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, 2021 and 2020 is presented on the following page:

Grays Harbor College
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021 and 2020

Operating Revenues	2021	2020
Student tuition and fees, net	2,875,241	3,059,764
Auxiliary enterprise sales	280,861	583,861
Grants and contracts	11,485,004	11,476,120
Other operating revenues	48,556	106,443
Total operating revenues	14,689,661	15,226,188
Non-Operating Revenues		
State appropriations	13,357,887	12,420,167
Federal Pell grant revenue	2,600,379	3,420,295
Other non-operating revenues	2,831,920	973,493
Total non-operating revenues	18,790,186	16,813,955
Total revenues	33,479,847	32,040,143
Operating Expenses		
Salaries and Benefits	15,808,219	17,716,760
Scholarships	7,087,454	8,017,089
Depreciation	2,401,105	2,424,043
Other operating expenses	4,584,763	3,998,547
Total operating expenses	29,881,541	32,156,439
Non-Operating Expenses		
Building fee remittance	361,011	452,102
Other non-operating expenses	130,029	147,384
Total non-operating expenses	491,040	599,486
Total expenses	30,372,582	32,755,925
Excess(deficiency)before capital contributions	3,107,265	(715,782)
Capital appropriations and contributions	1,771,110	653,837
Change in Net position	4,878,375	(61,945)
Net Position		
Net position, beginning of year	63,281,445	63,343,390
Prior Period adjustment	(101,366)	-
Net position, beginning of year as restated	63,180,079	
Net position, end of year	68,058,455	63,281,445

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 continued in FY2021.

Enrollments at the College have trended downward over the last several years and the trend continued in FY2021. In FY2021 the college served 1079 state funded full time equivalents (FTE) compared to 1270 FTE in FY2020. Enrollment for the current year declined more than anticipated due to Covid-19 pandemic related issues, as the College continued delivering classes primarily through online learning. Since enrollments decreased significantly in FY 2021, tuition and fee revenue declines are in line with the enrollment decrease.

Pell grant revenues generally follow enrollment trends and FY2021 follows this trend. Pell Grant revenue decreased \$820k in FY21, tracking with the significant enrollment decrease.

In FY 2021, grant and contract revenues increased by approximately \$8.8k when compared with FY 2020. 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, 2021 and 2020. Total revenues increased by approximately \$2.5 million due to approximately a \$1 million increase in state appropriations, an increase of \$1.1 million in state capital appropriations, and an increase

of \$1.7 million in CARES Act funding classified as other revenue. These increases were offset by a decrease in Pell grants and tuition and fees related to enrollment declines, and a significant decrease in auxiliary enterprise sales (bookstore and food service) due to Covid related closures on the campus.

Revenues	FY2021 percent of total		FY2020 percent of total	
State Appropriations	13,357,887	38%	12,420,167	38%
Student Tuition and Fees	2,875,241	8%	3,059,764	9%
Pell Grants	2,600,379	7%	3,420,295	10%
Grants & Contracts	11,485,004	33%	11,476,120	35%
Capital Appropriations	1,771,110	5%	653,837	2%
Auxiliary Enterprise Sales	280,861	1%	583,861	2%
Other Revenues	2,880,475	8%	1,092,328	3%
Total	35,250,957	100%	32,706,372	100%

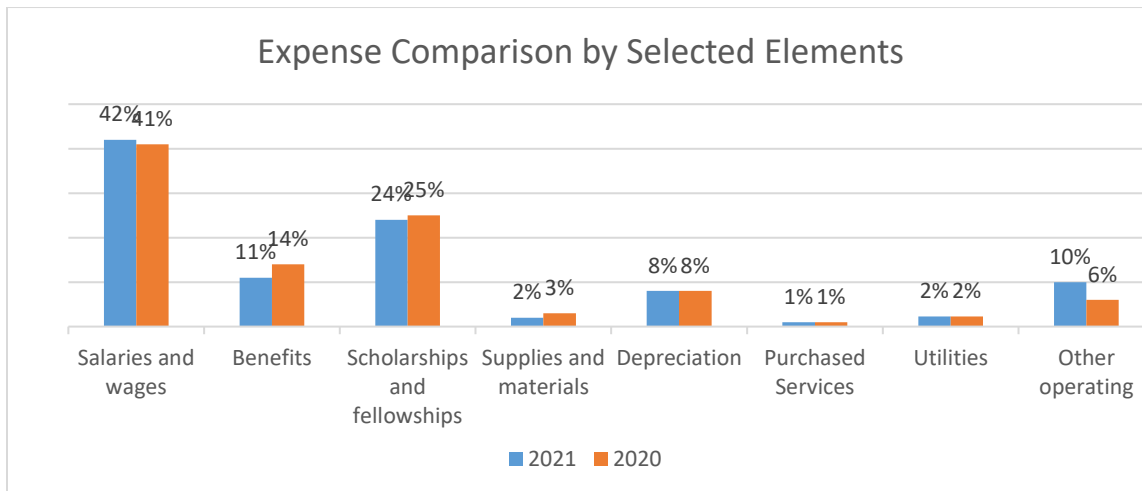
Expenses

The College experienced an approximate 7% decrease in total expenditures in FY21 compared to FY20. The decrease is due to several factors – salaries, wages and benefit decreases totaling \$1.9 million due to staff reductions, a decrease of \$930k in scholarships, other cost cutting due to budget constraints, and shifting to remote learning because of the Covid pandemic. Salaries and wages decreases were offset by 3% cost of living increases (COLA) for classified as of July 1, 2020 and January 1, 2021 for exempt employees, and 4.04 % COLA for faculty as of July 1, 2020. Other costs related to operations also decreased significantly from FY2020, ranging from supplies to purchased services, as most students were attending class online and most staff worked remotely for most of the fiscal year. Business travel was limited due to state restrictions. In addition, athletic events were canceled or postponed, with related travel costs reduced. The Food Service was closed in spring quarter of FY20, resulting in reduced cost of goods sold for auxiliary services, and has remained closed throughout FY21.

Comparison of Selected Operating Expenses

Operating expenses, for FY21 and FY20 are noted below, by natural classification, with comparative percentages for both years.

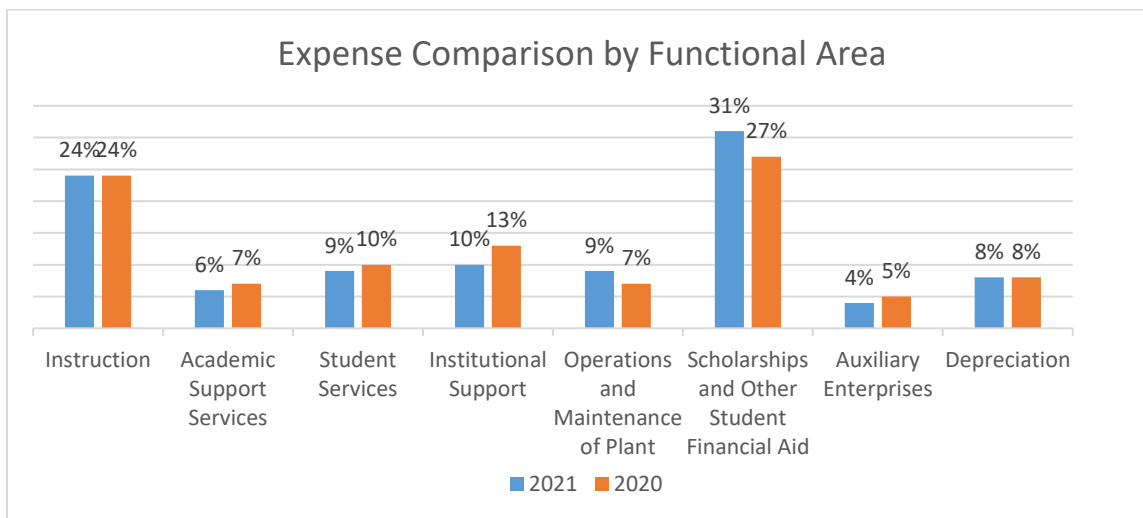
Expenses	FY2021 percent of total		FY2020 percent of total	
Salaries and wages	12,407,354	42%	13,303,976	41%
Benefits	3,400,865	11%	4,412,783	14%
Scholarships and fellowships	7,087,454	24%	8,017,089	25%
Supplies and materials	678,386	2%	1,020,015	3%
Depreciation	2,401,105	8%	2,424,043	8%
Purchased Services	335,007	1%	474,033	1%
Utilities	608,523	2%	556,868	2%
Other operating	2,962,847	10%	1,947,631	6%
Total	29,881,542	100%	32,156,439	100%



Comparison of Selected Operating Expenses by Functional Area

Operating expenses for FY21 and FY20 are noted below by function classification, with comparative percentages for each year.

Expenses by Functional Classification	FY2021	percent of total	FY2020	percent of total
Instruction	7,216,501	24%	7,842,108	24%
Academic Support Services	1,670,597	6%	2,226,525	7%
Student Services	2,774,704	9%	3,122,420	10%
Institutional Support	2,854,049	10%	4,160,248	13%
Operations and Maintenance of Plant	2,663,283	9%	2,185,983	7%
Scholarships and Other Student Financial Aid	9,153,647	31%	8,592,704	27%
Auxiliary Enterprises	1,147,657	4%	1,602,408	5%
Depreciation	2,401,105	8%	2,424,043	8%
Total	29,881,542	100%	32,156,439	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 student fee increase in FY2018 has been accumulating to service the debt payments which started in FY19.

At June 30, 2021, the College had an investment in capital assets of \$69,964,139 net of accumulated depreciation. This represents a decrease of \$1,764,522 from last year, as shown in the table below.

Asset Type	June 30, 2021	June 30, 2020	Change
Land	\$177,724	\$177,724	\$ -
Construction in Progress	\$2,948,570	\$2,784,088	\$ 164,482
Buildings, net	\$64,798,115	\$66,607,415	\$ (1,809,300)
Other Improv & Infrastructure, net	\$1,457,502	\$1,564,941	\$ (107,439)
Equipment, net	\$443,548	\$448,018	\$ (4,470)
Library Resources, net	\$138,680	\$146,475	\$ (7,795)
Total Capital Assets, Net	\$69,964,139	\$71,728,662	(\$1,764,522)

The decrease in net capital assets can be attributed to \$2.4 million of depreciation expense offset by asset additions, including \$164k of continued design and engineering on the new Student Services and Instructional Building (SSIB) scheduled to replace the current HUB building. Construction has been funded by the Legislature for the SSIB in the 21-23 biennium. Additional information on capital assets can be found in Note #6 of the Notes to the Financial Statements.

At June 30, 2021, the College had \$895,000 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, 2021	June 20, 2020	Change
Certificates of Participation	895,000	925,000	(30,000)
Total	\$ 895,000	\$ 925,000	\$ (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), and funding continued in FY21. 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. 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 during the last two fiscal years. The College will continue efforts to closely examine budgets and identify opportunities 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, navigating the COVID-19 pandemic and associated operational disruptions, reversing the trend in declining enrollment, and diversifying revenue sources 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, 2021

Assets		
Current assets		
Cash and cash equivalents	\$ 5,954,665	
Restricted cash	4,142,272	
Short-term investments	831,220	
Accounts receivable	2,848,899	
Inventories	171,805	
Total current assets	13,948,861	
Non-Current Assets		
Long-term investments	1,740,342	
Non-depreciable capital assets	3,126,294	
Capital assets, net of depreciation	66,837,845	
Total non-current assets	71,704,482	
Total assets	85,653,342	
Deferred Outflows of Resources		
Deferred outflows related to pensions	1,680,503	
Deferred outflows related to OPEB	1,282,917	
Total deferred outflows of resources	2,963,420	
Liabilities		
Current Liabilities		
Accounts payable	729,000	
Accrued liabilities	1,548,875	
Compensated absences, current portion	164,412	
Unearned revenue	132,765	
Certificates of participation payable, current portion	30,000	
Net pension liability, current portion	18,831	
Total OPEB liability, current portion	144,700	
Total current liabilities	2,768,583	
Non-Current Liabilities		
Compensated absences	943,712	
Certificates of participation	1,003,028	
Net pension liability	2,594,497	
Total OPEB liability	8,081,897	
Total non-current liabilities	12,623,134	
Total liabilities	15,391,717	
Deferred Inflows of Resources		
Deferred inflows related to pensions	1,694,343	
Deferred inflows related to OPEB	3,472,248	
Total deferred inflows of resources	5,166,591	
Net Position		
Net Investment in Capital Assets	68,931,111	
Restricted for:		
Nonexpendable	10,000	
Expendable	4,132,272	
Unrestricted (deficit)	(5,014,929)	
Total Net Position	\$ 68,058,455	

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

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

Operating Revenues	
Student tuition and fees, net of scholarship discounts and allowances	\$ 2,875,241
Auxiliary enterprise sales	280,861
State and local grants and contracts	9,393,256
Federal grants and contracts	2,091,748
Other operating revenues	48,556
Total operating revenue	14,689,661
Operating Expenses	
Salaries and wages	12,407,354
Benefits	3,400,865
Scholarships and fellowships	7,087,454
Supplies and materials	678,386
Depreciation	2,401,105
Purchased services	335,007
Utilities	608,523
Software Licensing and Maintenance	249,564
Non-capitalized Equipment	509,125
Repairs and Maintenance	1,142,675
Other operating expenses	1,061,483
Total operating expenses	29,881,542
Operating income (loss)	(15,191,881)
Non-Operating Revenues (Expenses)	
State appropriations	13,357,887
Federal non-operating revenue	2,771,218
Federal Pell grant revenue	2,600,379
Investment income, gains and losses	60,702
Building fee remittance	(361,011)
Innovation fund remittance	(92,454)
Interest on indebtedness	(37,575)
Net non-operating revenue (expenses)	18,299,146
Gain before capital contributions	3,107,265
Capital Contributions	
Capital appropriations	1,771,110
Increase (Decrease) in net position	4,878,375
Net Position	
Net position, beginning of year	63,281,445
Prior Period adjustment	(101,366)
Net Position, beginning of year, as restated	63,180,079
Net position, end of year	\$ 68,058,455

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

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

Cash flows from operating activities	
Student tuition and fees	\$ 3,018,772
Grants and contracts	11,164,513
Payments to vendors	(3,333,924)
Payments for utilities	(622,550)
Payments to employees	(12,932,343)
Payments for benefits	(4,401,875)
Auxiliary enterprise sales	373,295
Payments for scholarships and fellowships	(7,031,655)
Other receipts	103,644
Other payments	(857,204)
Net cash used by operating activities	<u><u>(14,519,327)</u></u>
Cash flows from noncapital financing activities	
State appropriations	13,725,678
Pell grants	2,600,379
Amounts for other than capital purposes	2,771,218
Building fee remittance	(362,012)
Innovation fund remittance	(92,498)
Net cash provided by noncapital financing activities	<u><u>18,642,765</u></u>
Cash flows from capital and related financing activities	
Capital appropriations	953,179
Purchases of capital assets	(605,233)
Principal paid on capital debt	(30,000)
Interest paid	(37,575)
Net cash used by capital and related financing activities	<u><u>280,370</u></u>
Cash flows from investing activities	
Purchase of investments	(575,766)
Income of investments	60,702
Net cash provided by investing activities	<u><u>(515,064)</u></u>
Increase in cash and cash equivalents	3,888,745
Cash and cash equivalents at the beginning of the year	<u>6,208,193</u>
Cash and cash equivalents at the end of the year	<u><u>10,096,937</u></u>
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	<u>(15,182,608)</u>
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	2,401,105
Changes in assets and liabilities	
Receivables, net	481,846
Inventories	12,901
Other Assets	138,028
Accounts payable	565,026
Accrued liabilities	(1,079,429)
Unearned revenue	(445,032)
Compensated absences	(417,147)
Pension liability adjustment	(994,017)
Net cash used by operating activities	<u><u>\$ (14,519,327)</u></u>
Significant Noncash Transactions	\$ -

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

Grays Harbor College Foundation
A Washington Non-Profit Corporation

Statement of Financial Condition
As of June 30, 2021

Assets

Current Assets:

Cash and cash equivalents	1,042,935
Promises to give-current	37,220
Total Current Assets	1,080,155

Other Assets:

Investments	15,225,952
Assets held for investment	49,228
Other long-term assets	41,515
Total Other Assets	15,316,695
Total Assets	\$ 16,396,850

Liabilities and Net Assets

Current Liabilities

Accounts payable	3,031
Paycheck protection program loan	15,335
Liabilities	18,366

Net Assets

Without donor restrictions:	
Board designated	573,400
Undesignated	553,228
Total Net Assets Without Donor Restrictions	1,126,628

With donor restrictions	
Restricted for specified purpose	8,854,676
Restricted in perpetuity	6,397,180
Total Net Assets With Donor Restrictions	15,251,856
Total Net Assets	16,378,484

Total Liabilities and Net Assets	\$ 16,396,850
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Grays Harbor College Foundation
A Washington Non-Profit Corporation

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions Specified Purpose	In Perpetuity	Total
Support and Revenue:				
Gifts and Contributions	\$ 192,165	\$ 524,847	\$ 53,791	\$ 770,803
Investment income (loss)	132,181	3,178,578	-	3,310,759
Special event revenue-net	180,164	37,055	100	217,319
In-kind contributions	-	9,314	-	9,314
Other income	5,249	-	-	5,249
Loss on prior year promises to give	-	(2,140)	-	(2,140)
Net assets released from restrictions-satisfied by expenditures for specific purpose	919,169	(919,169)	-	-
Total Support and Revenue	1,428,928	2,828,485	53,891	4,311,304
Expenses:				
Program Services				
Awards, grants and scholarships	557,074	-	-	557,074
Other college support	249,278	-	-	249,278
Total Program Services	806,352	-	-	806,352
Management and General	94,331	-	-	94,331
Fundraising	11,583	-	-	11,583
Total Expenses	912,266	-	-	912,266
Increase (Decrease) in Net Assets	516,662	2,828,485	53,891	3,399,038
Net Assets, Beginning of Year	637,534	6,053,917	6,287,995	12,979,446
Reclassifications	(27,568)	(27,726)	55,294	-
Net Assets, End of Year	\$ 1,126,628	\$ 8,854,676	\$ 6,397,180	\$ 16,378,484

**Grays Harbor College Foundation
A Washington Non-Profit Corporation**

**Statement of Functional Expenses
For the Year Ended June 30, 2021**

	Program Services					Total
	Awards, Grants and Scholarships	Other College Support	Total Program Services	Management & General	Fundraising	
Expenses:						
Grants and allocations	\$ 550,124	\$ 244,645	\$ 794,769	\$ -	\$ -	\$ 794,769
Salaries, wages, and benefi	6,950	4,633	11,583	57,794	11,583	80,960
Insurance	-	-	-	3,551	-	3,551
Office Supplies	-	-	-	3,020	-	3,020
In-kind expense	-	-	-	9,314	-	9,314
Miscellaneous	-	-	-	10,266	-	10,266
Professional fees	-	-	-	10,386	-	10,386
Total Expenses	\$ 557,074	\$ 249,278	\$ 806,352	\$ 94,331	\$ 11,583	\$ 912,266

**Grays Harbor College Foundation
A Washington Non-Profit Corporation**

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

CASH FLOWS FROM OPERATING ACTIVITIES:	\$ 3,399,038
Change in Net Assets	
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
(Gain) loss on investments	(3,085,340)
Dividends and interest reinvested in investments	(304,497)
Contributions and earning restricted for investment in endowments	(53,891)
Noncash income-limited partnership	(5,249)
(Increase) Decrease in promises to give	193,238
Increase (Decrease) in accounts payable	3,012
Net Cash Provided (Used) By Operating Activities	<u>146,311</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales of investments	3,647,317
Purchase of investments	(3,442,888)
Net Cash Provided (Used) By Investing Activities	<u>204,429</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Paycheck protection program loan proceeds	15,335
Contributions and earnings restricted for investment in endowments	53,891
Net Cash Provided (Used) By Financing Activities	<u>69,226</u>
 Net Increase (Decrease) in Cash	419,966
Cash, Beginning of Year	<u>622,969</u>
Cash, End of Year	<u>\$ 1,042,935</u>
 Interest paid during the year	<u>\$ -</u>

Notes to the Financial Statements

June 30, 2021

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, associate degrees, certificates and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate. The College is an agency of the State of Washington. The financial activity of the college is included in the State's Comprehensive Annual Financial Report. 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, 2021, the Foundation distributed approximately \$548,781 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 of merchandise for resale in the college bookstore and course-related supplies, are valued at cost using FIFO, or first in first out.

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, 2021, no assets had been written down.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but 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, and when applicable advanced grant proceeds, as unearned revenues.

Tax Exemption

The College is a tax-exempt organization under the provisions of Section 115 (1) of the Internal Revenue Code and is exempt from federal income taxes on related income. 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 net pension liability for the State Board Retirement Plan in accordance with GASB 68 Accounting and Financial Reporting for Pensions and Related Assets. This is a change in assumption from prior years.

OPEB Liability

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Deferred outflows and inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the college's proportionate share of pension liabilities. These are amortized over the average expected remaining service lives of all employees 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, Nonexpendable – 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.

Restricted net position, Expendable – These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.

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 FY21 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, 2021 are \$2,451,346.

State Appropriations

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

Building and Innovation Fee Remittance

Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature and is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 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 FY21, the building fee remittance was \$361,011 and the innovation fund remittance was \$92,454.

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.

The Washington State Legislature adopted House Bill 1661 on March 11, 2020 which established individual dedicated funds for each institution of higher education’s supplemental retirement benefit contributions as of July 1, 2020. With the establishment of these individual funds, the State Board Retirement Plan (SBRP) mimics a trust arrangement similar to the rest of the state retirement system. This change results in the SBRP plan being reported under GASB 68 rather than GASB 73 as previously reported.

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, 2021, the carrying amount of the College’s cash and equivalents was \$10,096,537 as represented in the table below.

Cash and Cash Equivalents	June 30, 2021	
Petty Cash and Change Funds	\$	6,400
Bank Demand and Time Deposits		10,090,537
Total Cash and Cash Equivalents	\$	10,096,937

Cash and cash equivalents include restricted cash and cash equivalents of \$4,142,272 at June 30, 2021. The majority of the restricted balances comes from the collection of student self-assessed fees for their contribution towards the future construction of the new Student Services and Instructional Building (SSIB).

Custodial Credit Risks—Deposits

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the College would not be able to recover deposits. 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 demand deposits are with The Bank of the Pacific.

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, 2021, \$2,571,562 of the College's operating fund investments, held by Bank of the Pacific are exposed to custodial credit risk as follows.

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Time Certificate of Deposits	2,571,562	831,220	1,740,342	-	-
Total Investments	2,571,562	831,220	1,740,342	-	-

Note 4 - Accounts Receivable

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

Accounts Receivable	Amount
Student Tuition and Fees	\$ 620,690
Due from the Federal Government	55,366
Due from Other State Agencies	1,452,769
Due from Other Governments	757,637
Other	1,500
Subtotal	2,887,962
Less Allowance for Uncollectible Accounts	(39,064)
Accounts Receivable, net	\$ 2,848,898

Note 5 – Inventories

Inventories as of June 30, 2021, were as follows:

Inventories	Method	Amount
Merchandise Inventories (FIFO)		171,805
Inventories		\$ 171,805

Note 6 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2021 is presented as follows. The current year depreciation expense was \$2,401,105

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Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	\$ 177,724	\$ -	\$ -	\$ 177,724
Construction in progress	2,784,088	164,482	-	2,948,570
Total capital assets, non-depreciable	2,961,812	164,482	-	3,126,294
Capital assets, depreciable				
Buildings	90,500,280	337,614	-	90,837,894
Other improvements and infrastructure	2,115,236	-	-	2,115,236
Equipment	2,959,852	104,413	(24,174)	3,040,091
Library resources	289,862	30,796	(33,837)	286,821
Total capital assets, depreciable	95,865,230	472,823	(58,011)	96,280,042
Less accumulated depreciation				
Buildings	23,892,865	2,146,914	-	26,039,779
Other improvements and infrastructure	550,295	107,439	-	657,734
Equipment	2,511,834	108,162	(23,452)	2,596,543
Library resources	143,387	38,590	(33,837)	148,140
Total accumulated depreciation	27,098,381	2,401,105	(57,289)	29,442,197
Total capital assets, depreciable, net	68,766,849	(1,928,282)	(722)	66,837,845
Capital assets, net	\$ 71,728,661	\$ (1,763,800)	\$ (722)	\$ 69,964,139

Note 7 - Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2021, were as follows:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	\$ 1,460,950
Accounts Payable	729,000
Due to Other Agencies	87,925
Total	\$ 2,277,875

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	\$ 132,765
CARES Act	\$ -
Total Unearned Revenue	\$ 132,765

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, 2020 through June 30, 2021, were \$83,506.

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 \$494,026 and accrued sick leave totaled \$614,098 at June 30, 2021.

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, 2021, the minimum lease payments under operating leases consist of the following:

Fiscal year	Operating Leases
2022	17,056
2023	6,088
2024	-
Total minimum lease payments	\$ 23,144

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, 2021 are as follows:

Certificates of Participation			
Fiscal year	Principal	Interest	Total
2022	30,000	44,000	74,000
2023	35,000	42,375	77,375
2024	35,000	40,625	75,625
2025	35,000	38,875	73,875
2026	40,000	37,000	77,000
2027-2031	225,000	152,875	377,875
2032-2036	285,000	89,875	374,875
2037-2039	210,000	16,250	226,250
Total	\$ 895,000	\$ 461,875	\$ 1,356,875

Note 14 - Schedule of Long Term Liabilities

	Balance outstanding			Balance outstanding	
	6/30/20	Additions	Reductions	6/30/21	Current portion
Certificates of Participation	\$ 925,000	\$ -	\$ 30,000	\$ 895,000	\$ 30,000
Compensation absences	1,525,216	717,050	1,134,142	1,108,124	164,412
Net pension liability	3,557,585	2,353,737	3,297,994	2,613,328	18,831
Total OPEB liability	9,262,241	3,669,490	4,705,134	8,226,597	144,700
Total	\$ 15,270,042	\$ 6,740,277	\$ 9,167,270	\$ 12,843,049	\$ 357,943

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 net pension liability as it is a part of the community and technical college system.

Basis of Accounting

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

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

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

Aggregate Pension Amounts - All Plans

Pension Liabilities	\$	(2,613,328)
Deferred outflows of resources related to pensions	\$	1,680,503
Deferred inflows of resources related to pensions	\$	(1,694,343)
Pension Expense	\$	(802,933)

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, 2021, were as follows:

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
<u>Contribution Rates</u>				
7/1/20 to 8/31/20	12.86%	12.86%	15.51%	15.51%
9/1/20 to 6/30/21	12.97%	12.97%	15.74%	15.74%
Actual Contributions	\$ 189,253	\$ 308,829	\$ 121,943	\$ 134,713

Actuarial Assumptions

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

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

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

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

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	2.2%
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.

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	1,172,105	935,770	729,661
PERS 2/3	2,740,073	440,366	(1,453,445)
TRS 1	690,647	545,108	418,101
TRS 2/3	1,034,429	351,002	(206,500)

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

Pension Liabilities. At June 30, 2021, the College reported a total pension liability of \$2,272,246 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$935,770
PERS 2/3	\$440,366
TRS 1	\$545,108
TRS 2/3	\$351,002

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	2019	2020	Change
PERS 1	0.028762%	0.026505%	-0.002257%
PERS 2/3	0.036616%	0.034432%	-0.002184%
TRS 1	0.018471%	0.022630%	0.004159%
TRS 2/3	0.018636%	0.022852%	0.004216%

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

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

	Pension Expense
PERS 1	\$ (47,907)
PERS 2/3	43,843
TRS 1	175,980
TRS 2/3	121,208
Total	\$ 293,123

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

	PERS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	5,210
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	189,253	-
Totals	\$ 189,253	\$ 5,210

	PERS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	157,645	55,188
Difference between expected and actual earnings of pension plan investments	-	22,364
Changes of assumptions	6,272	300,808
Changes in College's proportionate share of pension liabilities	56,390	85,715
Contributions subsequent to the measurement date	308,829	-
Totals	\$ 529,135	\$ 464,076

	TRS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	3,506
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	121,943	-
Totals	\$ 121,943	\$ 3,506

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	221,831	1,266
Difference between expected and actual earnings of pension plan investments	-	3,408
Changes of assumptions	45,273	38,467
Changes in College's proportionate share of pension liabilities	85,486	1,962
Contributions subsequent to the measurement date	134,713	-
Totals	\$ 487,303	\$ 45,102

The \$754,738 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
2022	(23,643)	(185,202)	(15,407)	950
2023	(744)	(46,154)	(451)	36,930
2024	7,214	5,350	4,692	49,174
2025	11,963	31,306	7,661	59,197
2026	-	(20,081)	-	38,152
Thereafter	-	(28,988)	-	123,085
Total Net Deferred (Inflows)/Outflows	\$ (5,210)	\$ (243,769)	\$ (3,506)	\$ 307,487

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 net pension liability. House Bill 1661, effective fiscal year 2021, created separate Supplemental Retirement Plan (SRP) funds by institution that met the definition of a trust or equivalent arrangement. As a result, this is the first year these plans will be reported under GASB Statement No. 67/68. Prior to this, the SRP was reported under GASB Statement No. 73.

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

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

Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount a member’s goal income exceeds their assumed income. The monthly goal income is the one-twelfth of 2 percent of the member’s average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of 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.

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

Salary increases 3.50%-4.00%

Fixed Income and Variable Income Investment Returns* N/A

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

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

Most actuarial assumptions used in the June 30, 2020, valuation were based on the results of the August 2021 Supplemental Plan Experience Study. Additional assumptions related to the salary growth were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

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

- The discount rate is based on the long-term expected rate of return on the pension plan investments. This resulted in an increase in the discount rate used to measure the TPL from 2.21 percent as of June 30, 2020, to 7.4 percent.
- The total pension liability is now compared against the plan's fiduciary net position to determine the net pension liability (NPL).
- Additionally, OSA recently completed an experience study which modified multiple assumption to estimate future plan experience.

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2021 were each \$513,423.

Pension Expense. The Pension Expense is the summation of a number of components, including benefits earned during the fiscal year and interest on the TPL. These numbers are sensitive to assumption changes and plan experience and can be volatile from year to year.

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

Plan	Number of Participating Members			Total Members
	Inactive Members or Beneficiaries Currently Receiving Benefits	Inactive Members Entitled to But Not Yet Receiving Benefits	Active Members	
SBRP	5	3	59	67

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

Development of Net Pension Liability	
	Amount
Service Cost	\$ 43,864
Interest	31,199
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(281,482)
Changes in Assumptions,	(508,022)
Benefit Payments	(18,702)
Change in Proportionate Share of TPL	(149,231)
Other	-
Net Change in Total Pension Liability	(882,374)
Total Pension Liability - Beginning	1,526,324
Total Pension Liability - Ending	\$ 643,950
Plan Fiduciary Net Position	
Contributions - Employer	\$ 6,159
Contributions - Member	-
Net Investment Income	77,091
Benefit Payments	-
Administrative Expense	-
Other	-
Net Change in Plan Fiduciary Net Position	83,250
Plan Fiduciary Net Position-Beginning	219,630
Plan Fiduciary Net Position-Ending (b)	302,880
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)	\$ 341,070

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 7.40 percent, as well as what the employers' total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate:

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
\$	408,662	\$ 341,082	\$ 282,900

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2021, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Difference Between Expected and Actual Experience	\$	91,540	\$	371,482
Changes of Assumptions		215,846	\$	471,171
Changes in College's proportionate share of pension liability		45,534	\$	285,313
Differences between Projected and Actual Earnings on Plan Investments		-		48,483
Total	\$	352,920	\$	1,176,450

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	
2022	(155,413.46)
2023	(155,413.46)
2024	(139,940.89)
2025	(116,722.66)
2026	(115,379.07)
Thereafter	(140,661.04)

Note 16 - Other Post-Employment Benefits

Plan Description. 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 understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumptions used in valuations presented in this footnote assume that this substantive plan will be carried forward into the future.

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

Employees Covered by Benefit Terms. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 13 of the state's K-12 schools and educational service districts (ESDs), and 261 political subdivisions and tribal governments not included in the state's financial reporting who participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs. Membership in the PEBB plan for the College consisted of the following:

**Summary of Plan Participants
As of June 30, 2020**

Active Employees*	177
Retirees Receiving Benefits**	77
Retirees Not Receiving Benefits***	8
Total Active Employees and Retirees	262

*Reflects active employees eligible for PEBB program participation as of June 30, 2020.

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

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

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

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium.

In calendar year 2020, the average weighted implicit subsidy was valued at \$372 per adult unit per month. In calendar year 2021, the average weighted implicit subsidy is projected to be \$384 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2021 the explicit subsidy was \$183 per member per month and it will remain \$183 per member per month in calendar year 2022.

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

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

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

	Required Premium*	
Medical	\$	1,120
Dental		81
Life		4
Long-term Disability		2
Total		1,207
Employer contribution		1,041
Employee contribution		166
Total	\$	1,207

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

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to:

<http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>

Total OPEB Liability

As of June 30, 2020, the state reported a total OPEB liability of \$6.055 billion. The College’s proportionate share of the total OPEB liability is \$8,226,597. This liability was determined based on a measurement date of June 30, 2020.

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

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

In projecting the growth of the explicit subsidy, after 2022 when the cap is \$183, it is assumed to grow at the health care trend rates. The Legislature determines the value of the cap and no future increases are guaranteed; however, based on historical growth patterns, future increases to the cap are assumed.

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

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2013-2018 Demographic Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2019 Economic Experience Study.

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

Actuarial Valuation Date	6/30/2020
Actuarial Measurement Date	6/30/2020
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 3.5 percent for the June 30, 2019 measurement date and 2.21 percent for the June 30, 2020 measurement date.

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

Changes in Total OPEB Liability

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

Grays Harbor College	
Proportionate Share (%)	0.1358601792%
Service Cost	\$ 341,379
Interest Cost	285,569
Differences Between Expected and Actual Experience	(43,761)
Changes in Assumptions*	185,113
Changes of Benefit Terms	-
Benefit Payments	(135,964)
Changes in Proportionate Share	(1,377,107)
Other	(290,873)
Net Change in Total OPEB Liability	(1,035,644)
Total OPEB Liability - Beginning	9,262,241
Total OPEB Liability - Ending	\$ 8,226,597

*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 2.21 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

Discount Rate Sensitivity		
Current		
1% Decrease	Discount Rate	1% Increase
\$ 9,960,380	\$ 8,226,597	\$ 6,876,599

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

Health Care Cost Trend Rate Sensitivity

Current		
1% Decrease	Discount Rate	1% Increase
\$ 6,703,802	\$ 8,226,597	\$ 10,268,181

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

For the year ending June 30, 2021, the College will recognize OPEB expense of \$37,111. OPEB expense consists of the following elements:

Grays Harbor College	
Proportionate Share (%)	0.1358601792%
Service Cost	\$ 341,379
Interest Cost	285,569
Amortization of Differences Between Expected and Actual Experience	25,217
Amortization of Changes in Assumptions	(268,192)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(130,211)
Administrative Expenses	(290,873)
Total OPEB Expense	\$ (37,111)

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

Grays Harbor College		
Proportionate Share (%)	0.1358061792%	
Deferred Inflows/Outflows of Resources	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 180,478	\$ 38,898
Changes in assumptions	565,689	1,940,174
Transactions subsequent to the measurement date	144,700	-
Changes in proportion	392,050	1,493,176
Total Deferred Inflows/Outflows	\$ 1,282,917	\$ 3,472,248

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 (%)	0.1358601792%
2022	\$ (373,186)
2023	\$ (373,186)
2024	\$ (373,186)
2025	\$ (373,186)
2026	\$ (373,186)
Thereafter	\$ (468,104)

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 (%) 2019	0.1595876256%
Proportionate Share (%) 2020	0.1356081792%
Total OPEB Liability - Ending 2019	\$ 9,262,241
Total OPEB Liability - Beg 2020 (chg in prop)	7,885,134
Total OPEB Liability Change in Proportion	(1,377,107)
Total Deferred Inflows/Outflows - 2019	(1,739,966)
Total Deferred Inflows/Outflows - 2020	(1,481,268)
Total Deferred Inflows/Outflows Change in Proportion	258,698
Total Change in Proportion	\$ (1,635,805)

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, 2021.

Expenses by Functional Classification		
Instruction	\$	7,216,501
Academic Support Services		1,670,597
Student Services		2,774,704
Institutional Support		2,854,049
Operations and Maintenance of Plant		2,663,283
Scholarships and Other Student Financial Aid		9,153,647
Auxiliary enterprises		1,147,657
Depreciation		2,401,105
Total operating expenses	\$	29,881,542

Note 18 - Commitments and Contingencies

As of June 30, 2021, the College has an outstanding commitment of approximately \$315,106 for design and architectural services during the construction phase of the new Student Services building. Funding for construction been approved by the legislature for the 21-23 biennium, with construction to begin in January 2022.

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

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

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	0.026505%	\$ 935,770	\$ 3,899,349	24.00%	68.63%	
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	0.034432%	\$ 440,366	\$ 3,899,349	11.29%	97.22%
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	0.022630%	\$ 545,108	\$ 1,652,913	32.98%	70.55%	
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	0.022852%	\$ 351,002	\$ 1,652,913	21.24%	91.72%	
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

Schedule 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	\$ 189,253	\$ 189,253	\$ -	\$ 3,899,349	4.85%	
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 Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30						
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	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	\$ 308,829	\$ 308,829	\$ -	\$ 3,899,349	7.92%	
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	\$ 121,942	\$ 121,942	\$ -	\$ 1,652,913	7.38%	
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	\$ 134,713	\$ 134,713	\$ -	\$ 1,652,913	8.15%	
2022						
2023						

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

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Net Pension Liability and Related Ratios					
GRAYS HARBOR COLLEGE					
Fiscal Year Ended June 30, 2021					
<i>(expressed in thousands)</i>					
	2017	2018	2019	2020	2021
Total Pension Liability					
Service Cost	\$ 63,379	\$ 47,624	\$ 33,478	\$ 36,592	\$ 43,864
Interest	41,114	43,766	40,495	41,162	31,199
Changes of benefit terms experience	-	-	-	-	-
Changes of assumptions	(296,431)	(129,443)	76,348	86,730	(281,482)
Benefit Payments	(10,595)	(16,177)	(21,349)	(18,579)	(18,702)
Change in Proportionate Share		70,808	(61,309)	(147,332)	(149,231)
Other	-	-	-	-	-
Net Change in Total Pension Liability	(272,539)	(27,213)	211,219	230,312	\$ (882,374)
Total Pension Liability - Beginning	1,384,543	1,112,003	1,084,790	1,296,009	1,526,321
Total Pension Liability - Ending (a)	\$ 1,112,004	\$ 1,084,790	\$ 1,296,009	\$ 1,526,321	\$ 643,950
Plan Fiduciary Net Position**					
Contributions-Employer	n/a	n/a	n/a	n/a	\$ 6,159
Contributions - Member	n/a	n/a	n/a	n/a	
Net Investment Income	n/a	n/a	n/a	n/a	77,091
Benefit Payments	n/a	n/a	n/a	n/a	
Administrative Expense	n/a	n/a	n/a	n/a	
Other	n/a	n/a	n/a	n/a	
Net Change in Plan Fiduciary Net Position					\$ 83,250
Plan Fiduciary Net Position-Beginning					219,630
Plan Fiduciary Net Position-Ending (b)					\$ 302,880
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)					\$ 341,070
College's Proportion of the Pension Liability		1.244100%	1.174080%	1.040000%	0.938869%
Covered-employee payroll		\$ 7,009,203	\$ 6,773,708	\$ 6,250,977	\$ 5,844,922
Total Pension Liability as a percentage of covered-		0.154766526	0.191329328	0.244173191	0.110172556

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

n/a indicates data not available.

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

State Board Supplemental Defined Benefit Plans

Notes to Required Supplementary Information

The State Board Supplemental Retirement Plans are financed on a pay-as-you-go basis. 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.

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

Schedule of Employer Contributions State Board Supplemental Retirement Plan GRAYS HARBOR COLLEGE Fiscal Year Ended June 30, 2021	
2021	
Statutorily determined contributions	\$ 7,598
Actual contributions in relation to the above	6,275
Contribution deficiency (excess)	\$ (1,323)
Covered Payroll	\$ 5,844,922
Contribution as a % of covered payroll	0.13%

Notes: This schedule will be built prospectively until they contain 10 years of data.

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	2021	2020	2019	2018
Service cost	\$ 341,379	\$ 375,033	\$ 491,555	\$ 598,616
Interest cost	285,569	325,320	337,941	280,395
Difference between expected and actual experience	(43,761)		308,475	-
Changes in assumptions	185,113	605,832	(2,151,955)	(1,367,773)
Changes in benefit terms			-	-
Benefit payments	(135,964)	(148,814)	(142,730)	(142,894)
Changes in proportionate share	(1,377,107)	242,701	188,946	(71,511)
Other	(290,873)		-	-
Net Changes in Total OPEB Liability	\$ (1,035,644)	\$ 1,400,072	\$ (967,768)	\$ (703,167)
Total OPEB Liability - Beginning	\$ 9,262,241	\$ 7,862,169	\$ 8,829,937	\$ 9,533,104
Total OPEB Liability - Ending	\$ 8,226,597	\$ 9,262,241	\$ 7,862,169	\$ 8,829,937
College's proportion of the Total OPEB Liability (%)	0.13586018%	0.15958723%	0.15480875%	0.15156600%
Covered-employee payroll	\$ 12,822,605	\$ 12,149,594	\$ 12,081,256	\$ 11,825,467
Total OPEB Liability as a percentage of covered-	64.156987%	76.234984%	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

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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.

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