Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Columbia Basin College

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

Published March 29, 2021

Report No. 1027987

Office of the Washington State Auditor
Pat McCarthy

March 29, 2021

Board of Trustees
Columbia Basin College
Pasco, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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Columbia Basin College
July 1, 2019 through June 30, 2020

Board of Trustees
Columbia Basin College
Pasco, 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 Columbia Basin College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 22, 2021.

Our report includes a reference to other auditors who audited the financial statements of the Columbia Basin College Foundation, as described in our report on the College's financial statements. This report includes our consideration of the results of the other auditor's 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 report of the other auditors. The financial statements of the Columbia Basin College Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting internal control over financial reporting or instances of reportable noncompliance associated with the Columbia Basin College Foundation. The Foundation's prior year comparative information has been derived from the Foundation's 2019 financial statements, on which other auditors issued their report dated January 10, 2020.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

In addition, we noted certain matters that we have reported to the management of the College in a separate letter dated March 22, 2021.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

March 22, 2021

Columbia Basin College
July 1, 2019 through June 30, 2020

Board of Trustees
Columbia Basin College
Pasco, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Columbia Basin College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Columbia Basin College Foundation, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Columbia Basin College Foundation, is based solely on the report of other auditors.

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

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

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

Opinions

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

Matters of Emphasis

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

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information for the Foundation. Such information does not include all the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2019, from which such partial information was derived. Other auditors have previously audited the Foundation's 2019 basic financial statements and they expressed an unmodified opinion in their report dated January 10, 2020.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

March 22, 2021

FINANCIAL SECTION

Columbia Basin College
July 1, 2019 through June 30, 2020

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Management's Discussion and Analysis

Columbia Basin College

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

Columbia Basin 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 to approximately 11,187 students. The College confers applied baccalaureate degrees, associate's degrees, certificates and high school diplomas. The College was established in 1955 and its primary purpose is to be an engine for social mobility through higher education, the foundation for which is an open access policy that seeks to eliminate barriers to matriculation, retention, and graduation of residents.

The College's main campus is located in Pasco, Washington, a community of about 73,000 residents. The College also has operations in Richland, Washington. 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 units. The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2020. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

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

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

Condensed Statement of Net Position
As of June 30, 2020

	2020	2019
Assets		
Current Assets	$ 24,397,345	$ 21,135,223
Capital Assets, net	$ 118,537,589	$ 116,707,086
Other Assets, non-current	$ 15,964,051	$ 14,683,420
Total Assets	$ 158,898,985	$ 152,525,730
Deferred Outflows of Resources	$ 5,307,976	$ 3,040,477
Liabilities		
Current Liabilities	$ 11,823,918	$ 11,417,290
Other Liabilities, non-current	$ 36,882,479	$ 35,230,530
Total Liabilities	$ 48,706,398	$ 46,647,820
Deferred Inflows of Resources	$ 8,825,555	$ 9,681,773
Net Position		
Net Investment in Capital Assets	$ 110,907,418	$ 114,067,677
Restricted	$ 523,326	$ 820,310
Unrestricted	$ (4,755,736)	$ (15,651,374)
Total Net Position, as restated	$ 106,675,008	$ 99,236,613

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The modest increase can be attributed to a reclassification of long-term investments and investments due to mature. It also includes outstanding accounts receivables related to an increase in federal student aid funding requested for reimbursement.

Net capital assets increased by $1.8 million from FY 2019 to FY 2020. After taking into consideration current depreciation expense of $145 thousand, much of the increase is the result of the completion of the 4th floor in the Medical Science Center Building which was completed in 2020 and the construction of the Student Recreation Center which is expected to be completed in September 2021.

Non-current assets consist primarily of the long-term portion of certain investments. The college increased its long-term investments by $6 million.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated with the implementation of GASB Statement No. 68 in FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018. The increase in deferred outflows reflect the College's proportionate share of an increase 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 $3,040,476 in FY 2019 and $5,307,976 in FY2020 of pension and postemployment-related deferred outflows. The increase reflects the change in proportionate share.

Similarly, the decrease in deferred inflows in 2020 reflects the decrease in difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements.

The increase in current liabilities from FY 2019 to FY 2020 is due to an increase in accounts payable the result of timing differences between vendor invoices and vendor payments.

There was a slight increase in unearned revenue, due to increased tuition and fees at the start of the academic year.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation debt. Also included in non-current liabilities are amounts owed under the terms of a lease-purchase agreement with Kadlec Regional Medical Center for the Medical Science Center.

The College's non-current liabilities continue to decrease as the College pays down the principal owed on Certificates of Participation for the Hawk Union Building remodel, Thornton Center Remodel, Auditorium remodel, and two energy saving projects. Several of these COPs matured with final payments in FY20. The changes in non-current liabilities are primarily due to an increase in the Other Post Employment Benefit liability caused by the estimated value versus actual value.

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 not reporting any balance 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 student loans and financial aid.

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.

Net investment in capital assets	$	110,907,418.26	$	114,067,677.00
Restricted				
Expendable (description)	$	523,325.83	$	820,310.00
Nonexpendable (description)		-		-
Unrestricted	$	(4,755,735.65)	$	(15,651,374.00)
Total Net Position	**$**	**106,675,008.44**	**$**	**99,236,613.00**

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

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

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

	2020	2019
Operating Revenues		
Student tuition and fees, net	12,328,041	14,340,962
Auxiliary enterprise sales	2,924,134	3,221,611
Grants and contracts	20,276,248	19,389,546
Other operating revenues	1,278,188	1,016,115
Total operating revenues	**36,806,611**	**37,968,234**
Non-Operating Revenues		
State appropriations	26,514,369	24,022,832
Federal Pell grant revenue	9,317,484	9,139,507
Federal non-operating revenue	2,162,993	-
Other non-operating revenues	549,321	131,166
Total non-operating revenues	38,544,166	33,293,505
Total revenues	**75,350,777**	**71,261,739**
Operating Expenses		
Salaries and Benefits	40,998,814	41,128,842
Scholarships	8,946,575	9,168,390
Depreciation	4,048,515	3,930,702
Other operating expenses	11,920,649	12,699,047
Total operating expenses	**65,914,552**	**66,926,981**
Non-Operating Expenses		
Building fee remittance	1,769,570	1,725,502
Other non-operating expenses	885,103	888,842
Total non-operating expenses	**2,654,673**	**2,614,344**
Total expenses	68,569,225	69,541,325
Excess (deficiency) before capital contributions	**6,781,552**	**1,720,414**
Capital appropriations and contributions	**656,843**	**1,904,039**
Change in Net position	**7,438,395**	**3,624,453**
Net Position		
Net position, beginning of year	99,236,613	95,612,160
Net position, end of year	**106,675,008**	**99,236,613**

Revenues

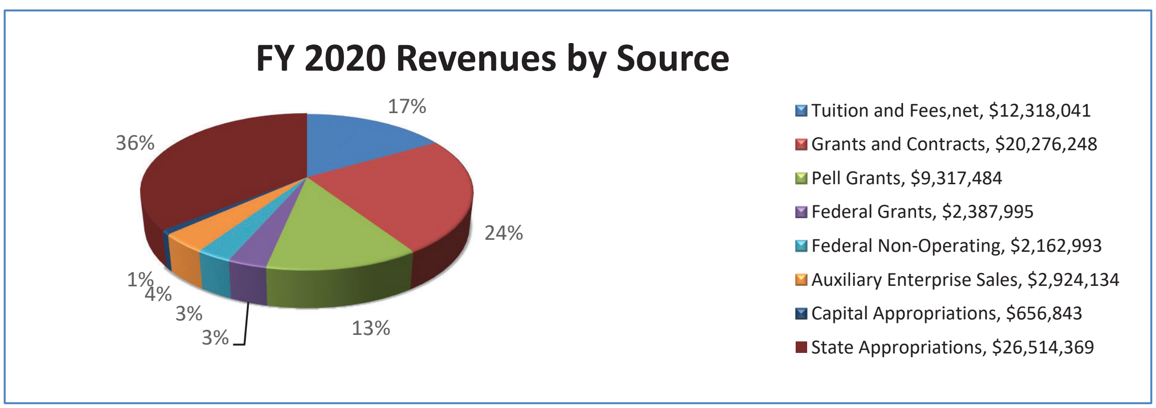
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the 34 college's based on 3-year average FTE actuals. Additionally, the Supplemental Budget also reduces the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation will continue in FY2020.

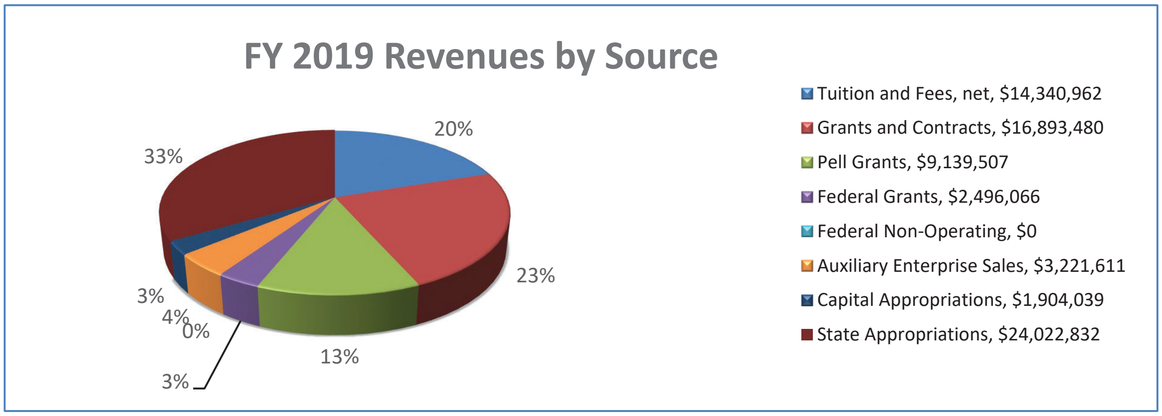
Since enrollments slightly decreased in FY 2020, the College's decrease in tuition and fee revenue is primarily attributable to the increase in scholarship funding for students leading to a major increase in scholarship and discount allowance reduced from the total tuition and fee revenue.

Pell grant revenues generally follow enrollment trends. As the College's enrollment showed a minor reduction during FY 2020, so did the College's Pell Grant revenue remain relatively neutral. For FY 2020, the College increased a student-voted fee but also waived the Distance Learning fee at the start of the pandemic, resulting in the stable revenues.

In FY 2020, grant and contract revenues increased by $886,702 when compared with FY 2019. 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 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 expense in the current period and are instead recognized as depreciation expense over the expected useful lifetime of the asset.



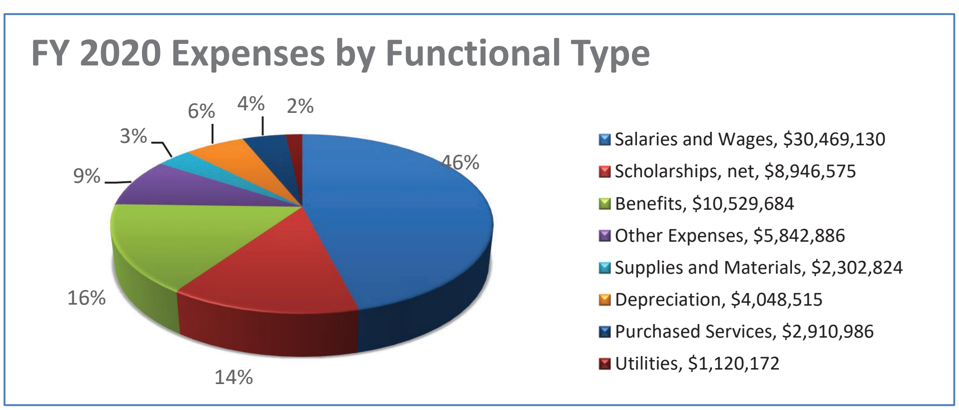


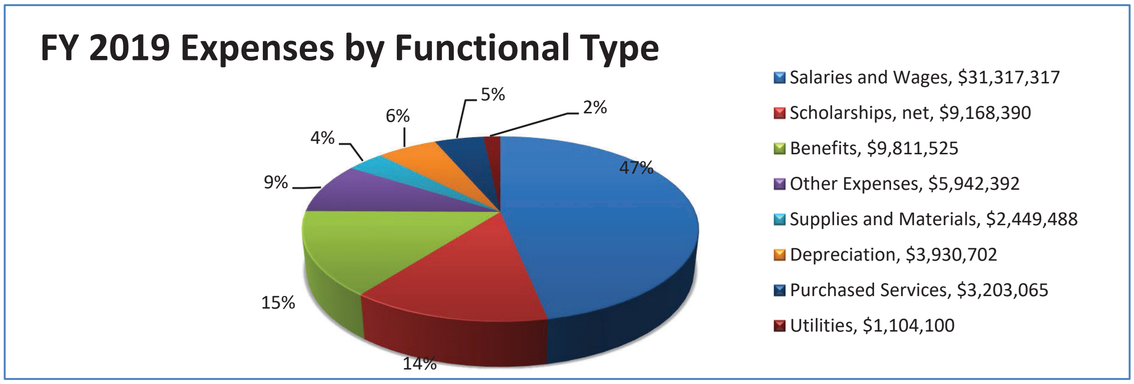
Expenses

In FY 2020, salary and benefit costs decreased as result of the decline in enrollment and delay in refilling positions in an effort to reduce expenses.

Utility costs have slightly increased as a result of the completion and occupancy of the Medical Science Center. Supplies and materials and purchased services are significantly lower in FY 2020, primarily as a result of a reduced spending related to remote operations caused by COVID-19. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs. These fluctuations are to be expected. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service. The college placed the Medical Science Center in service at the end of FY 2018 which is the result of the large decrease in depreciation in FY 2020.

Comparison of Selected Operating Expenses by Function
The chart below shows the amount, in dollars, for selected functional areas of operating expenses for FY 2020 and FY 2019.





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.

At June 30, 2020, the College had invested $118,537,587 in capital assets, net of accumulated depreciation. This represents an increase of $1,830,504 from last year, as shown in the table below.

Asset Type	June 30, 2020	June 30, 2019
Land	$1,885,831	$1,885,831
Construction in Progress	$1,991,323	$1,209,842
Buildings, net	$111,130,784	$110,508,085
Other Improvements and Infrastructure, net	$427,697	$502,206
Equipment, net	$3,011,790	$2,504,489
Library Resources, net	$90,161	$96,630
Total Capital Assets, Net	**$118,537,587**	**$116,707,083**

The increase in net capital assets can be attributed to the completion of the Medical Science Center remodel. Significant capital projects that were in process on June 30, 2020 include the Student Recreation Center. Additional information on capital assets can be found in Note 6 of the Notes to the Financial Statements.

At June 30, 2020, the College had $7,858,069 in outstanding debt. This represents a decrease of $1,225,035 from last year, as shown in the table below.

	June 30, 2020	June 20, 2019	Change
Certificates of Participation	1,316,257	2,628,306	(1,312,049)
Capital Leases	6,541,812	6,454,798	87,014
Total	**$ 7,858,069**	**$ 9,083,104**	**$ (1,225,035)**

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 College 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 relatively minor decrease in enrollment compared to other institutions during the pandemic, it is estimated that the College will likely see a slight increase in state operating appropriations in future years.

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

Spring quarter of 2020 brought the first sign of what was to come for FY21 in which enrollments plummeted as most courses transferred to online modalities. In Fall quarter 2020 the college saw an enrollment decrease of 6.9%. Most of this decrease came from new students who put off attending to find a job, take a "gap year", could no longer afford college, or other personal reasons. This trend continued into Winter quarter where we are currently at an 8.8% decrease and expect something similar for Spring 2021. The college will continue all recruitment efforts for Fall, which coupled with vaccines, improved online delivery of materials, and the college's ability to offer some level of face-to-face instruction throughout the week, will allow us a small rebound although unlikely back to pre-pandemic levels.

Columbia Basin College

Statement of Net Position, June 30, 2020

Assets	
Current assets	
Cash and cash equivalents	$ 11,497,571
Restricted cash	1,401,581
Short-term investments	6,263,831
Accounts receivable	4,886,528
Interest receivable	15,130
Inventories	324,178
Prepaid expenses	8,527
Total current assets	24,397,345
Non-Current Assets	
Long-term investments	15,964,051
Non-depreciable capital assets	3,877,154
Capital assets, net of depreciation	114,660,434
Total non-current assets	134,501,640
Total assets	**158,898,985**
Deferred Outflows of Resources	
Deferred outflows related to pensions	2,884,493
Deferred outflows related to OPEB	2,423,483
Total deferred outflows of resources	5,307,976
Liabilities	
Current Liabilities	
Accounts payable	2,999,167
Accrued liabilities	3,330,582
Compensated absences, current portion	1,642,049
Deposits payable	304,968
Unearned revenue	2,555,329
Leases and certificates of participation payable, current portion	565,223
Total pension liability, current portion	64,060
Total OPEB liability, current portion	362,540
Total current liabilities	11,823,918
Non-Current Liabilities	
Compensated absences	1,918,616
Leases and certificates of participation payable	7,064,947
Net pension liability	2,881,289
Total pension liability	4,354,880
Total OPEB liability	20,662,747
Total non-current liabilities	36,882,479
Total liabilities	**48,706,398**
Deferred Inflows of Resources	
Deferred inflows related to pensions	2,309,973
Deferred inflows related to OPEB	6,515,582
Total deferred inflows of resources	8,825,555

Net Position

Net Investment in Capital Assets	110,907,418
Restricted for:	
Nonexpendable	-
Expendable	472,041
Student Aid	51,285
Unrestricted (deficit)	(4,755,736)
Total Net Position	**$ 106,675,008**

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

Columbia Basin College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

Operating Revenues	
Student tuition and fees, net of scholarship discounts and allowances	$ 12,328,041
Auxiliary enterprise sales	2,924,134
State and local grants and contracts	17,888,254
Federal grants and contracts	2,387,995
Other operating revenues	1,278,188
Total operating revenue	36,806,611
Operating Expenses	
Salaries and wages	30,469,130
Benefits	10,529,684
Scholarships and fellowships	8,946,575
Supplies and materials	2,302,824
Depreciation	4,048,515
Purchased services	2,910,986
Utilities	1,120,172
Other operating expenses	5,586,667
Total operating expenses	65,914,552
Operating income (loss)	(29,107,941)
Non-Operating Revenues (Expenses)	
State appropriations	26,514,369
Federal non-operating revenue	2,162,993
Federal Pell grant revenue	9,317,484
Investment income, gains and losses	549,321
Building fee remittance	(1,769,570)
Innovation fund remittance	(460,326)
Interest on indebtedness	(424,777)
Net non-operating revenue (expenses)	**35,889,494**
Income or (loss) before other revenues, expenses, gains, or losses	6,781,552
Capital Contributions	
Capital appropriations	656,843
Increase (Decrease) in net position	7,438,395
Net Position	
Net position, beginning of year	99,236,613
Net position, end of year	$ 106,675,008

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

Columbia Basin College
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flows from operating activities	
Student tuition and fees	$ 12,698,272
Grants and contracts	19,051,313
Payments to vendors	(4,176,795)
Payments for utilities	(1,102,387)
Payments to employees	(31,516,833)
Payments for benefits	(10,566,339)
Auxiliary enterprise sales	2,876,763
Payments for scholarships and fellowships	(8,946,575)
Other receipts	1,702,356
Other payments	(6,708,775)
Net cash used by operating activities	(26,688,999)
Cash flows from noncapital financing activities	
State appropriations	24,707,918
Pell grants	9,317,484
Amounts for other than capital purposes	2,162,993
Building fee remittance	(1,768,778)
Innovation fund remittance	(456,847)
Net cash provided by noncapital financing activities	33,962,770
Cash flows from capital and related financing activities	
Deficit of capital debt	(5,908)
Capital appropriations	618,165
Purchases of capital assets	(5,938,506)
Certificate of participations proceeds	-
Principal paid on capital debt	(1,343,581)
Interest paid	(424,777)
Net cash used by capital and related financing activities	(7,094,606)
Cash flows from investing activities	
Purchase of investments	(4,383,414)
Proceeds from sales and maturities of investments	-
Income of investments	549,321
Net cash provided by investing activities	(3,834,093)
Increase in cash and cash equivalents	(3,654,928)
Cash and cash equivalents at the beginning of the year	15,152,499
Cash and cash equivalents at the end of the year	11,497,571

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss		(29,107,941)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense		4,048,515
Changes in assets and liabilities		
Receivables, net		(2,019,344)
Inventories		(11,471)
Other assets		2,347
Accounts payable		1,793,958
Accrued liabilities		(758,191)
Unearned revenue		379,380
Compensated absences		(1,106,814)
Pension liability adjustment		52,959
Deposits payable		37,603
Net cash used by operating activities	$	(26,688,999)

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

Columbia Basin College Foundation
Statements of Financial Position
June 30, 2020 and 2019

ASSETS		2020		2019
Cash and cash equivalents	$	928,702	$	1,785,652
Investments		344,605		355,312
Restricted cash and cash equivalents		1,893,563		1,507,412
Restricted investments		235,582		910,187
Investments and cash equivalents restricted for endowments		16,492,237		17,275,834
Cash held in charitable remainder trust		220,100		194,114
Real estate held in charitable remainder trust		485,465		630,000
Residence held subject to life interest		352,944		383,930
Advances to Columbia Basin College		7,722,956		8,068,405
Promises to give		38,500		117,410
Promise to give from Kadlec Medical Center		1,000,000		990,108
Prepaid expenses		-		1,313
Total assets	$	29,714,654	$	32,219,677
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	$	47,877	$	163,095
Notes payable		7,692,847		8,057,367
Annuity payable from charitable remainder trust		13,500		270,286
Use interest of beneficiary		-		61,038
Total liabilities		7,754,224		8,551,786
Net assets				
Without donor restrictions		1,840,043		2,014,252
With donor restrictions		20,120,387		21,653,639
Total net assets		21,960,430		23,667,891
Total liabilities and net assets	$	29,714,654	$	32,219,677

See accompanying notes to financial statements.

Columbia Basin College Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions	$ 330,264	$ 823,485	**$ 1,153,749**
Investment return, net	188,187	79,782	**267,969**
Support from Columbia Basin College	462,286	-	**462,286**
Special events	-	15,077	**15,077**
Other	23,280	-	**23,280**
Actuarial adjustment of split interest agreements	-	199,275	**199,275**
Total revenue and support	1,004,017	1,117,619	**2,121,636**
Net assets released from restrictions	2,650,871	(2,650,871)	**-**
Expenses			
Program services	2,949,147	-	**2,949,147**
Management and general	422,063	-	**422,063**
Fundraising	457,887	-	**457,887**
Total expenses	3,829,097	-	**3,829,097**
Change in net assets	(174,209)	(1,533,252)	**(1,707,461)**
Net assets, beginning of year	2,014,252	21,653,639	**23,667,891**
Net assets, end of year	**$ 1,840,043**	**$ 20,120,387**	**$ 21,960,430**

See accompanying notes to financial statements.

Columbia Basin College Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions	$ 765,819	$ 908,368	**$ 1,674,187**
Investment return, net	254,035	861,950	**1,115,985**
Support from Columbia Basin College	377,777	-	**377,777**
Special events (including contributions of $108,013)	-	133,513	**133,513**
Other	25,559	-	**25,559**
Actuarial adjustment of split interest agreements	-	(19,546)	**(19,546)**
Total revenue and support	1,423,190	1,884,285	**3,307,475**
Net assets released from restrictions	1,986,697	(1,986,697)	-
Expenses			
Program services	2,686,001	-	**2,686,001**
Management and general	422,706	-	**422,706**
Fundraising	375,646	-	**375,646**
Total expenses	3,484,353	-	**3,484,353**
Change in net assets	(74,466)	(102,412)	**(176,878)**
Net assets, beginning of year	2,088,718	21,756,051	**23,844,769**
Net assets, end of year	**$ 2,014,252**	**$ 21,653,639**	**$ 23,667,891**

See accompanying notes to financial statements.

Columbia Basin College Foundation
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Cash received from contributions	**$ 989,935**	$ 2,093,532
Cash received from investment income	**628,766**	744,776
Cash received from other sources	**23,280**	68,117
Cash paid for salaries and benefits	**(75,689)**	(136,915)
Cash paid for interest	**(319,802)**	(347,630)
Cash paid for other expenses	**(3,053,975)**	(2,348,762)
Net cash provided by (used in) operating activities	**(1,807,485)**	73,118
Cash flows from investing activities		
Purchases of investments	**(4,543,682)**	(4,246,432)
Sales or maturity of investments	**5,651,794**	4,557,043
Collections on advances to Columbia Basin College	**345,449**	327,516
Net cash provided by investing activities	**1,453,561**	638,127
Cash flows from financing activities		
Cash received from contributions restricted for investments in endowments	**247,645**	74,648
Principal payments on notes payable	**(364,520)**	(338,532)
Net cash used in financing activities	**(116,875)**	(263,884)
Net increase (decrease) in cash and cash equivalents	**(470,799)**	447,361
Cash and cash equivalents, beginning of year	**3,293,064**	2,845,703
Cash and cash equivalents, end of year	**$ 2,822,265**	$ 3,293,064
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position		
Cash and cash equivalents	**$ 928,702**	$ 1,785,652
Restricted cash and cash equivalents	**1,893,563**	1,507,412
Total cash and cash equivalents	**$ 2,822,265**	$ 3,293,064

See accompanying notes to financial statements.

Columbia Basin College Foundation
Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in net assets	**$ (1,707,461)**	$ (176,878)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	**-**	304
Gain (loss) on investments	**360,797**	(371,209)
Loss on disposal of collections and artwork	**-**	42,558
Transfer of land and artwork	**-**	126,687
Contributions restricted for:		
Investments in endowments	**(247,645)**	(74,648)
Actuarial adjustments of split interest agreements	**(199,275)**	19,546
(Increase) decrease in assets:		
Promises to give	**78,910**	(93,210)
Promise to give from Kadlec Medical Center	**(9,892)**	480,410
Residence held subject to life interest	**30,986**	(26,720)
Prepaid expenses	**1,313**	(9)
Increase (decrease) in liabilities:		
Accounts payable	**(115,218)**	146,287
Net cash provided by (used in) operating activities	**$ (1,807,485)**	$ 73,118

See accompanying notes to financial statements.

Notes to the Financial Statements

June 30, 2020
These notes form an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

Columbia Basin College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers 114 applied baccalaureate degrees, associate's 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 Columbia Basin College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1984 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to establish and cultivate a variety of productive and mutually beneficial relationships with individuals, corporations, and other foundations for the benefit of Columbia Basin 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 which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2020, the Foundation distributed approximately $2,949,147 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, Erin Fishburn, Executive Director at 509-542-5519 or efishburn@columbiabasin.edu.

Basis of Presentation

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

Basis of Accounting

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

Non-exchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, 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 and cash equivalents at fair value. All other investments are reported at fair value.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents, U.S. Treasuries, and U.S. Agency securities.

Accounts Receivable

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

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

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives are generally 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

The college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2020, no assets had been written down.

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

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

Pension Liability
For purposes of measuring the net pension liability in accordance with GASB Statement No 68, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on

the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB 73 Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 (Accounting and Financial Reporting for Pensions).

The reporting requirements are similar to GASB 68 but use current fiscal yearend as the measurement date for reporting the pension liabilities.

OPEB Liability
In fiscal year 2018, the College implemented GASB Statement No. 75, Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB). This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one year lag measurement date similar to GASB Statement No. 68.

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

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

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

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

Net Position

The College's net position is classified as follows.

- Net Investment in Capital Assets. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- Restricted for 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 the principle.
- Restricted for Loans. The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.
- Restricted for Expendable. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
- Unrestricted. These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

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

Classification of Revenues and Expenses

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

- *Operating Revenues.*
  This includes activities that are directly related to the principal operations of the College, such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) federal, state and local grants and contracts that primarily support the operational/educational activities of the colleges. Examples include a contract with OSPI to offer Running Start and/or Technical High School. The college also receives Adult Basic Education grants that support the primary educational mission of the college.
- *Operating Expenses*.
  Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation.
- *Non-operating Revenues*.
  This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government. In FY 20, non-operating revenues also included funds received through the federal CARES act.
- *Non-operating Expenses*.
  Non-operating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on the Certificate of Participation Loans.

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2020 are $11,626,524.

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

Building and Innovation Fee Remittance
Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

Note 2 - Accounting and Reporting Changes

Accounting Standards Impacting the Future
In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* which postponed the effective dates of Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The college is following the State's Office of Financial Management directives on these postponements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which was to be in effect beginning fiscal year 2021. GASB 95 postponed the effective date to fiscal year 2022. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which will be effective for the fiscal year ending June 30, 2021. GASB 95 has postponed the effective date to fiscal year 2022. This Statement require that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by the College. The Statement will be applied on a prospective basis and the interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated.

Note 3 - Deposits and Investments

Deposits
Cash and cash equivalents include bank demand deposits, petty cash held at the College and pooled cash investments. For reporting purposes, pooled investments are stated at fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates. For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

As of June 30, 2020, the carrying amount of the College's cash and equivalents was $12,899,152 as represented in the table below.

Cash and Cash Equivalents		June 30, 2020
Petty Cash and Change Funds	$	5,504
Bank Demand and Time Deposits		12,893,648
Total Cash and Cash Equivalents	**$**	**12,899,152**

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

Investments

Investments consist of U.S. Treasury and Agency securities.

Fair value measurement is based on the assumptions that market participants would use in pricing the asset. The three levels of the fair value hierarchy are described as:

- Level 1 – Quoted market prices: Unadjusted quoted prices available in active markets for identical assets or liabilities
- Level 2 – Observable inputs: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3 – Unobservable inputs that are significant to the fair value measurement.

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. All of the College's investments fall within the hierarchy of Level 1.

	Investment Maturities (in Years)		
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**
U.S. Government Agency Securities	22,227,882	6,263,831	15,964,051
Total Investments	**22,227,882**	**6,263,831**	**15,964,051**

Interest Rate Risk—Investments

The College manages its exposure to fair value losses resulting from changes in interest rates by structuring the entire portfolio time horizon. Unless matched to a specific cash flow, the college generally will not directly invest in securities maturing more than five years form the state of purchase.

Concentration of Credit Risk—Investments

State law limits College operating investments to the highest quality sectors of the domestic fixed income market and specifically excludes corporate stocks, corporate and foreign bonds, futures contracts, commodities, real estate, limited partnerships and negotiable certificates of deposit. College policy does not limit the amount the College may invest in any one issuer.

Custodial Credit Risk—Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2020, 22,227,882 of the College's operating fund investments, held by Time Value Investments and Charles Schwab as agents for the College.

Investments Exposed to Custodial Risk	**Fair Value**
Charles Schwab	13,186,092
Time Value Investments	9,041,790
Total Investments Exposed to Custodial Risk	**$ 22,227,882**

Investment Expenses
Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2020 were $47,660.

Note 4 - Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2020, accounts receivable were as follows:

Accounts Receivable		Amount
Student Tuition and Fees	$	876,125
Due from the Federal Government		1,738,912
Due from Other State Agencies		1,605,611
Interest Receivable		15,130
Other		722,372
Subtotal		4,958,151
Less Allowance for Uncollectible Accounts		(56,493)
Accounts Receivable, net	**$**	**4,901,658**

Note 5 – Inventories

Inventories, states at cost FIFO method, as of June 30, 2020, were as follows:

Inventories	Method		Amount
Merchandise Inventories			324,178
Inventories		**$**	**324,178**

Note 6 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2020 is presented as follows. The current year depreciation expense was *$4,048,516.*

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	$ 1,885,831	$ -	$ -	$ 1,885,831
Construction in progress	1,209,842	781,491	-	1,991,333
Total capital assets, non-depreciable	3,095,673	781,491	-	3,877,164
Capital assets, depreciable				
Buildings	148,106,965	3,748,854	-	151,855,819
Other improvements and infrastructure	1,610,233	-	-	1,610,233
Equipment	9,255,800	1,332,833	(151,455)	10,437,178
Library resources	679,645	18,441	-	698,086
Total capital assets, depreciable	159,652,643	5,100,128	(151,455)	164,601,316
Less accumulated depreciation				
Buildings	37,598,879	3,126,156	-	40,725,035
Other improvements and infrastructure	1,108,025	74,512	-	1,182,537
Equipment	6,751,311	822,937	(148,862)	7,425,386
Library resources	583,014	24,911	-	607,925
Total accumulated depreciation	46,041,229	4,048,516	(148,862)	49,940,883
Total capital assets, depreciable, net	113,611,414	1,051,612	(2,593)	114,660,433
Capital assets, net	**$ 116,707,087**	**$ 1,833,103**	**$ (2,593)**	**$ 118,537,597**

Note 7 - Accounts Payable and Accrued Liabilities

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

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 2,361,704
Accounts Payable	3,869,358
Amounts Held for Others and Retainage	968,878
Total	**$ 7,199,940**

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	$ 2,555,329
Total Unearned Revenue	$ 2,555,329

Note 9 - Risk Management

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

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

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2019 through June 30, 2020, were $101,662. Cash reserves for unemployment compensation for all employees at June 30, 2020 were $40,000.

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 $1,812,233 and accrued sick leave totaled $1,748,433 at June 30, 2020.

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

Note 11 - Leases Payable

Operating Leases
In 2007, the College entered into annual lease agreement for Chase Center property. The lease agreement in effect is considered an operating lease. During the years ended June 30, 2019, the College recorded the $123,000 for operating lease.

Capital Leases
The College also entered into a long-term lease-leaseback agreement with the Columbia Basin College Foundation and Kadlec Medical Center for financing the construction of Wortman Medical Science Center which values at $23,168,810. As of June 2019, the College had the capital lease payable to the Foundation of $6,541,812, as follows:

Fiscal year	Capital Leases	
2021	$	147,951
2022		154,531
2023		161,404
2024		167,859
2025		176,051
2026-2030		5,734,016
Total minimum lease payments	**$**	**6,541,812**

Note 12 - Notes Payable

In November 2011, the College financed for energy improvement project (ESPC 1) through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $1.89 million. The interest rate charged is approximately 3.24%.

In March 2013, the College refinanced to remodel the WISE Technology Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $4.15 million. The interest rate charged is approximately 1.37%.

In August 2015, the College financed for energy improvement project (ESPC 2) through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $1.76 million. The interest rate charged is approximately 1.54%.

In October 2015, the College refinanced to remodel the Student Center through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $550,000. Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 2015. The interest rate charged is approximately 1.2%. Student fees related to the COP(s) are accounted for in a dedicated fund, which is used to pay principal and interest, not coming out of the general operating budget.

The College's debt service requirements for these note agreements for the next five years and thereafter are as follows in Note 13.

Note 13 - Annual Debt Service Requirements

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

	Certificates of Participation			Capital Leases		
Fiscal year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2021	$ 416,257	$ 51,556	$ 467,813	$ 147,951	$ 282,308	$ 430,258
2022	135,000	38,400	173,400	154,531	275,727	430,258
2023	140,000	171,525	311,525	161,405	268,854	430,258
2024	145,000	169,400	314,400	167,859	262,400	430,258
2025	155,000	172,288	327,288	176,050	254,208	430,258
2026-2030	325,000	338,500	663,500	1,004,217	1,147,075	2,151,292
2031-2035	-	-	-	1,248,411	902,881	2,151,292
2036-2040	-	-	-	1,551,745	599,547	2,151,292
2041-2045	-	-	-	1,929,643	221,696	2,151,339
Total	**$ 1,316,257**	**$ 941,669**	**$ 2,257,926**	**$ 6,541,812**	**$ 4,214,695**	**$ 10,756,507**

Note 14 - Schedule of Long Term Liabilities

	Balance outstanding 6/30/19	**Additions**	**Reductions**	**Balance outstanding 6/30/20**	**Current portion**
Certificates of Participation	**$ 2,628,306**	**$ -**	**$ 1,312,049**	**$ 1,316,257**	**$ 416,257**
Compensation absences	**4,667,480**	**-**	**1,106,814**	**3,560,666**	**1,642,049**
Capital leases	**6,454,798**	**227,898**	**140,884**	**6,541,812**	**147,951**
Net pension liability	**3,572,911**	**-**	**691,620**	**2,881,291**	**-**
Total pension liability	**3,353,714**	**1,065,225**	**-**	**4,418,939**	**64,060**
Total OPEB liability	**18,222,214**	**2,803,073**	**-**	**21,025,287**	**362,540**
Total	**$ 38,899,423**	**$ 4,096,196**	**$ 3,251,367**	**$ 39,744,253**	**$ 2,632,857**

Note 15 - Retirement Plans

A. General

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

Basis of Accounting

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

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

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

Aggregate Pension Amounts - All Plans

Pension Liabilities	$	7,300,231
Deferred outflows of resources related to pensions	$	2,884,495
Deferred inflows of resources related to pensions	$	2,309,973
Pension Expense	$	450,513

Department of Retirement Systems

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

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

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

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

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

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

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

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

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

PERS
Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 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.

<u>Benefits Provided.</u> 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.

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

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

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

TRS

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

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

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

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

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

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

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

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

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

Contributions

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

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

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

	PERS 1	**PERS 2/3***	**TRS 1**	**TRS 2/3***
Contribution Rate	4.95%	7.92%	7.21%	8.11%
Actual Contributions	$371,360	$579,453	$56,653	$63,737

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

Actuarial Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$2,519,623	$2,011,967	$1,571,508
PERS 2/3	$4,604,269	$600,327	($2,685,172)
TRS 1	$276,027	$215,964	$163,864
TRS 2/3	$289,035	$53,035	($138,849)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
Pension Liabilities. At June 30, 2020, the College reported a total pension liability of $2,881,291 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$2,011,966
PERS 2/3	$600,326
TRS 1	$215,964
TRS 2/3	$53,035

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:

	2019	2020	Change
PERS 1	0.051315%	0.052322%	0.001007%
PERS 2/3	0.059171%	0.061804%	0.002633%
TRS 1	0.008154%	0.008723%	0.000569%
TRS 2/3	0.007271%	0.008802%	0.001531%

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

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

	Pension Expense
PERS 1	$139,567
PERS 2/3	$182,452
TRS 1	$28,446
TRS 2/3	$43,182
TOTAL	$393,647

Deferred Outflows of Resources and Deferred Inflows of Resources. The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2020:

	PERS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	134,416
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	371,360	-
Totals	**$ 371,360**	**$ 134,416**

	PERS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	171,995	129,067
Difference between expected and actual earnings of pension plan investments	-	873,832
Changes of assumptions	15,372	251,877
Changes in College's proportionate share of pension liabilities	159,830	15,055
Contributions subsequent to the measurement date	579,453	-
Totals	**$ 926,650**	**$ 1,269,831**

	TRS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	16,563
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	56,653	-
Totals	**$ 56,653**	**$ 16,563**

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	36,876	1,707
Difference between expected and actual earnings of pension plan investments	-	45,788
Changes of assumptions	19,994	14,091
Changes in College's proportionate share of pension liabilities	36,397	-
Contributions subsequent to the measurement date	63,737	-
Totals	**$ 157,004**	**$ 61,586**

The $1,071,203 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2021.

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

Year ended June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2021	(29,673)	(234,527)	(3,400)	314
2022	(70,287)	(420,721)	(8,892)	(11,746)
2023	(25,083)	(171,136)	(3,127)	925
2024	(9,373)	(78,687)	(1,144)	5,641
2025	-	(34,536)	-	9,502
Thereafter	-	16,974	-	27,046
Total	**$ (134,416)**	**$ (922,633)**	**$ (16,563)**	**$ 31,682**

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

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

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2020 were each $1,597,947.

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

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

Plan members have the option to retire early with reduced benefits.
The SRP pension benefits are unfunded. For the year ended June 30, 2020, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of $1,785,000. The College's share of this amount was $53,729. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2020, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $100,121. This amount was not used as a part of GASB 73 calculations its status as an asset has not been determined by the Legislature. As of June 30, 2019, the Community and Technical College system accounted for $23,208,875 of the fund balance.

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

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

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

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

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

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

Pension Expense. Pension expense for the fiscal year ending June 30, 2020 was $270,209.

Proportionate Share (%)	
Dollars in thousands	
Service Cost	$ 105,940
Interest Cost	119,171
Amortization of Difference Between Expected and Actual Experience	(76,210)
Amortization of Changes of Assumptions	111,488
Changes of Benefit Terms	-
Administrative Expenses	-
Other Changes in Fiduciary Net Position	-
Proportionate Share of Collective Pension Expense	**$ 260,389**
Amortization of the Change in Proportionate Share of TPL	9,820
Total Pension Expense	**$ 270,209**

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for fiscal year ending June 30, 2020 was 3.01%. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating College's. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Proportionate Share (%) 2019	**3.04%**
Proportionate Share (%) 2020	**3.01%**
Total Pension Liability - Ending 2019	$ 3,353,714
Total Pension Liability - Beginning 2020	3,325,602
Total Pension Liability - Change in Proportion	(28,112)
Total Deferred Inflow/Outflows - 2019	400,929.02
Total Deferred Inflow/Outflows - 2020	397,568.06
Total Deferred Inflows/Outflows - Change in Proportion	(3,361)
Total Change in Proportion	**$ (31,473)**

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

	Number of Participating Members			
Plan	**Inactive Members or Beneficiaries Currently Receiving Benefits**	**Inactive Members Entitled to But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
SRP	10	13	140	163

Change in Total Pension Liability. The following table presents the change in total pension liability of the State Board Supplemental Retirement Plan at June 30, 2019:

Schedule of Changes in Total Pension Liability	
	Amount
Service Cost	$ 105,940
Interest	119,171
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	251,095
Changes in Assumptions	670,919
Benefit Payments	(53,788)
Change in Proportionate Share of TPL	(28,114)
Other	-
Net Change in Total Pension Liability	1,065,223
Total Pension Liability - Beginning	3,353,714
Total Pension Liability - Ending	**$ 4,418,937**

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

1% Decrease (2.50%)	**Current Discount Rate (3.50%)**	**1% Increase (4.50%)**
$ 5,081,395	$ 4,418,939	$ 3,873,138

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions
At June 30, 2019, 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	$	357,132	$	557,435
Changes of Assumptions		841,063	$	151,594
Changes in College's proportionate share of pension liability		174,630	$	118,549
Transactions Subsequent to the Measurement Date		-		-
Total	**$**	**1,372,825**	**$**	**827,578**

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

State Board Supplemental Retirement Plan		
2021	$	45,099
2022	$	45,099
2023	$	45,099
2024	$	94,749
2025	$	169,254
Thereafter	$	145,958

Note 16 - Other Post-Employment Benefits

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

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

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

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

Summary of Plan Participants
As of June 30, 2019

Active Employees*	438
Retirees Receiving Benefits**	122
Retirees Not Receiving Benefits***	22
Total Active Employees and Retirees	582

*Reflects active employees eligible for PEBB program participation as of June 30, 2018.
**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.
***This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

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

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

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

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

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

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

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

*Per 2020 PEBB Financial Projection Model 3.3. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2020 which includes projected claims cost at the time of this 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, 2019, the state reported a total OPEB liability of $5.804 billion. The College's proportionate share of the total OPEB liability is $21,025,287. This liability was determined based on a measurement date of June 30, 2019.

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

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

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

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

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

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

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

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

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

Changes in Total OPEB Liability
As of June 30, 2019, components of the calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

Columbia Basin College

Proportionate Share (%)		**0.3622639101%**
Service Cost	$	851,326
Interest Cost		738,477
Differences Between Expected and Actual Experience		-
Changes in Assumptions*		1,375,237
Changes of Benefit Terms		-
Benefit Payments		(337,809)
Changes in Proportionate Share		175,842
Other		-
Net Change in Total OPEB Liability		2,803,073
Total OPEB Liability - Beginning		18,222,214
Total OPEB Liability - Ending	**$**	**21,025,287**

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

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

Discount Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 25,460,919	$ 21,025,287	$ 17,580,115

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

Health Care Cost Trend Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 17,016,778	$ 21,025,287	$ 26,420,133

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

For the year ending June 30, 2020, the College will recognize OPEB expense of $866,011 OPEB expense consists of the following elements:

Columbia Basin College

Proportionate Share (%)	**0.3622639101%**
Service Cost	$ 851,326
Interest Cost	738,477
Amortization of Differences Between Expected and Actual Experience	80,206
Amortization of Changes in Assumptions	(769,965)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(34,033)
Administrative Expenses	-
Total OPEB Expense	**$ 866,011**

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

Columbia Basin College

Proportionate Share (%)	**0.3622639101%**	
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience	$ 561,442	$ -
Changes in assumptions	1,222,433	6,096,136
Transactions subsequent to the measurement date	362,540	-
Changes in proportion	277,068	419,446
Total Deferred Inflows/Outflows	**$ 2,423,483**	**$ 6,515,582**

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 (%)		**0.3622639101%**
2021	$	(723,791)
2022	$	(723,791)
2023	$	(723,791)
2024	$	(723,791)
2025	$	(723,791)
Thereafter	$	(835,684)

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

Proportionate Share (%) 2018		**0.3588015223%**
Proportionate Share (%) 2019		**0.3622639101%**
Total OPEB Liability - Ending 2018	$	18,222,214
Total OPEB Liability - Beginning 2019		18,398,056
Total OPEB Liability Change in Proportion		175,842
Total Deferred Inflows/Outflows - 2018		(5,981,725)
Total Deferred Inflows/Outflows - 2019		(6,039,447)
Total Deferred Inflows/Outflows Change in Proportion		(57,722)
Total Change in Proportion	**$**	**233,564**

Note 17 - Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2020.

Expenses by Functional Classification		
Instruction	$	20,012,087
Academic Support Services		3,367,270
Student Services		8,085,571
Institutional Support		10,348,194
Operations and Maintenance of Plant		9,220,543
Scholarships and Other Student Financial Aid		8,063,283
Auxiliary enterprises		2,769,089
Depreciation		4,048,515
Total operating expenses	**$**	**65,914,552**

Note 18 - Commitments and Contingencies

The College has commitments of $9,250,000 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings. A future Certificate of Participation (COP) will account for $27,000,000 for the Student Recreation Center (SRC).
The College is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial statement.

Note 19 - Segment Information

Segment reporting vs separate stand-alone statements is currently being discussed with NWCCU. Multi-college districts should watch for further, official guidance from NWCCU. Stand-alone statements should follow the NWCCU’s guidance below:

1) Eligibility Requirement 19. FINANCIAL ACCOUNTABILITY: For each year of operation, the institution undergoes an annual external financial audit by professionally qualified personnel in accordance with generally accepted auditing standards. The audit is to be completed no later than nine months after the end of the fiscal year. Results from the audit, including findings and management letter recommendations, are considered annually in an appropriate and comprehensive manner by the administration and the governing board.
2) Financial Resources 2.F.7: For each year of operation, the institution undergoes an annual external financial audit by professionally qualified personnel in accordance with generally accepted auditing standards. The audit is to be completed no later than nine months after the end of the fiscal year. Results from the audit, including findings and management letter recommendations, are considered annually in an appropriate and comprehensive manner by the administration and the governing board.
3) Financial Resources 2.F.1: “The institution demonstrates financial stability with sufficient cash flow and reserves to support its programs and services. Financial planning reflects available funds, realistic development of financial resources, and appropriate risk management to ensure short-term solvency and anticipate long-term obligations, including payment of future liabilities.”

4) Financial Resources 2.F.4: The institution ensures timely and accurate financial information through its use of an appropriate accounting system that follows generally accepted accounting principles and through its reliance on an effective system of internal controls.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Columbia Basin College's Proportionate Share of the Net Pension Liability

Schedule of Columbia Basin 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	0.048122%	$ 2,424,168	$ 4,943,673	49.04%	61.19%
2015	0.047067%	$ 2,462,042	$ 5,050,633	48.75%	59.10%
2016	0.049926%	$ 2,681,261	$ 5,578,942	48.06%	57.03%
2017	0.051444%	$ 2,441,058	$ 6,157,218	39.65%	61.24%
2018	0.051315%	$ 2,291,746	$ 6,417,926	35.71%	63.22%
2019	0.052322%	$ 2,011,967	$ 6,985,836	28.80%	67.12%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Columbia Basin College’s Proportionate Share of the Net Pension Liability

Schedule of Columbia Basin 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	0.054078%	$ 1,093,112	$ 4,640,749	23.55%	93.29%
2015	0.053622%	$ 1,915,945	$ 4,766,644	40.19%	89.20%
2016	0.056523%	$ 2,845,888	$ 5,276,901	53.93%	85.82%
2017	0.059676%	$ 2,073,463	$ 5,881,117	35.26%	90.97%
2018	0.059171%	$ 1,010,292	$ 6,137,479	16.46%	95.77%
2019	0.061804%	$ 600,327	$ 6,735,892	8.91%	97.77%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Columbia Basin College's Proportionate Share of the Net Pension Liability

Schedule of Columbia Basin 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	0.009419%	$ 277,809	$ 239,976	115.77%	68.77%
2015	0.010300%	$ 327,554	$ 330,538	99.10%	65.70%
2016	0.010639%	$ 363,241	$ 375,119	96.83%	62.07%
2017	0.012580%	$ 380,327	$ 542,702	70.08%	65.58%
2018	0.008154%	$ 238,145	$ 450,633	52.85%	66.52%
2019	0.008723%	$ 215,964	$ 599,750	36.01%	70.37%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Columbia Basin College's Proportionate Share of the Net Pension Liability

Schedule of Columbia Basin 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	0.002337%	$ 7,548	$ 92,719	8.14%	96.81%
2015	0.003807%	$ 32,124	$ 182,782	17.58%	92.48%
2016	0.004369%	$ 59,999	$ 218,388	27.47%	88.72%
2017	0.007171%	$ 66,184	$ 388,097	17.05%	93.14%
2018	0.007271%	$ 32,728	$ 418,145	7.83%	96.88%
2019	0.008802%	$ 53,035	$ 599,750	8.84%	96.36%
2020					
2021					
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

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	$ 27,889	$ 27,889	$ -	$ 4,943,674	9.21%
2015	$ 26,155	$ 25,990	$ 165	$ 5,050,633	9.15%
2016	$ 33,806	$ 33,806	$ -	$ 5,578,942	11.19%
2017	$ 30,788	$ 30,788	$ -	$ 6,157,218	11.18%
2018	$ 343,003	$ 343,003	$ -	$ 6,417,926	5.34%
2019	$ 376,002	$ 376,002	$ -	$ 6,985,836	5.38%
2020	$ 371,360	$ 371,360		$ 7,498,513	4.95%
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions
Public Emplyees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 427,321	$ 427,321	$ -	$ 4,640,749	9.21%
2015	$ 439,008	$ 438,987	$ 21	$ 4,766,644	9.21%
2016	$ 593,546	$ 593,546	$ -	$ 5,276,901	11.25%
2017	$ 655,607	$ 655,607	$ -	$ 5,881,117	11.15%
2018	$ 456,571	$ 456,571	$ -	$ 6,137,479	7.44%
2019	$ 506,210	$ 506,210	$ -	$ 6,735,892	7.52%
2020	$ 579,453	$ 579,453	$ -	$ 7,316,380	7.92%
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions

Teachers' Retirement System (TRS) Plan 1

Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 14,774	$ 14,774	$ -	$ 239,185	6.18%
2015	$ 15,352	$ 15,352	$ -	$ 330,538	4.64%
2016	$ 20,059	$ 20,059	$ -	$ 375,119	5.35%
2017	$ 20,182	$ 20,182	$ -	$ 542,702	3.72%
2018	$ 29,705	$ 29,705	$ -	$ 450,633	6.59%
2019	$ 44,248	$ 44,248	$ -	$ 599,750	7.38%
2020	$ 56,653	$ 56,653	$ -	$ 785,973	7.21%
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 9,472	$ 10,472	$ (1,000)	$ 91,928	11.39%
2015	$ 18,991	$ 19,193	$ (202)	$ 182,782	10.50%
2016	$ 27,208	$ 27,208	$ -	$ 218,388	12.46%
2017	$ 52,222	$ 52,222	$ -	$ 388,097	13.46%
2018	$ 32,325	$ 32,325	$ -	$ 418,145	7.73%
2019	$ 46,960	$ 46,960	$ -	$ 599,750	7.83%
2020	$ 63,737	$ 63,737	$ -	$ 785,973	8.11%
2021					
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 Total Pension Liability and Related Ratios
Columbia Basin College
Fiscal Year Ended June 30, 2020
(expressed in thousands)

	2017	2018	2019	2020
Total Pension Liability				
Service Cost	$ 160,466	$ 108,791	$ 86,632	$ 105,940
Interest	104,094	99,979	104,790	119,171
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(750,519)	(295,701)	197,568	251,095
Changes of assumptions	(177,143)	(100,036)	371,482	670,919
Benefit Payments	(26,720)	(36,955)	(55,245)	(53,788)
Change in Proportionate Share		(113,616)	170,394	(28,114)
Other	-	-	-	-
Net Change in Total Pension Liability	**(689,822)**	**(337,538)**	**875,621**	**1,065,223**
Total Pension Liability - Beginning	**3,505,497**	**2,815,631**	**2,478,093**	**3,353,714**
Total Pension Liability - Ending	**$ 2,815,631**	**$ 2,478,093**	**$ 3,353,714**	**$ 4,418,937**
College's Proportion of the Pension Liability	2.962263%	2.842730%	3.0381964%	3.012727%
Covered-employee payroll	$ 17,286,577	$ 17,147,574	$ 18,855,103	$ 20,171,758
employee payroll	16.287961%	14.451566%	17.786771%	21.906553%

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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.

Other Postemployment Benefits Information

Schedule of Changes in Total OPEB Liability and Related Ratios Measurement Date of June 30*						
Total OPEB Liability		**2019**		**2018**		**2017**
Service cost	$	851,326	$	1,139,281	$	1,411,709
Interest cost		738,477		783,249		661,253
Difference between expected and actual experience		-		714,954		-
Changes in assumptions		1,375,237		(4,987,605)		(3,225,605)
Changes in benefit terms		-		-		-
Benefit payments		(337,809)		(330,805)		(336,985)
Changes in proportionate share		175,842		79,599		(638,815)
Other		-		-		-
Net Changes in Total OPEB Liability	$	2,803,073	$	(2,601,327)	$	(2,128,443)
Total OPEB Liability - Beginning	$	18,222,214	$	20,823,541	$	22,951,984
Total OPEB Liability - Ending	$	21,025,287	$	18,222,214	$	20,823,541
College's proportion of the Total OPEB Liability (%)		0.36226391%		0.35880152%		0.35743522%
Covered-employee payroll	$	31,483,429	$	27,198,323	$	24,510,124
employee payroll		66.782075%		66.997565%		84.958936%

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

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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