Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Bellingham Technical College

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

Published April 22, 2021

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Office of the Washington State Auditor
Pat McCarthy

April 22, 2021

Board of Trustees
Bellingham Technical College
Bellingham, Washington

Report on Financial Statements

Please find attached our report on the Bellingham Technical 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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Bellingham Technical College
July 1, 2019 through June 30, 2020

Board of Trustees
Bellingham Technical College
Bellingham, 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 Bellingham Technical 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 26, 2021.

Our report includes a reference to other auditors who audited the financial statements of the Bellingham Technical College Foundation (the Foundation), as described in our report on the College's financial statements. This report includes our consideration of the results of the other 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 Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation. The 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 20, 2020.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

March 26, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Bellingham Technical College
July 1, 2019 through June 30, 2020

Board of Trustees
Bellingham Technical College
Bellingham, 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 Bellingham Technical 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 Bellingham Technical College Foundation (the Foundation), which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component unites of the Bellingham Technical 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 Bellingham Technical 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 summarized prior-year comparative information for the Foundation. Such information does not include all the information required for 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 summarized 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 20, 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 26, 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 26, 2021

FINANCIAL SECTION

Bellingham Technical College
July 1, 2019 through June 30, 2020

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Management's Discussion and Analysis

Bellingham Technical College

The following discussion and analysis provides an overview of the financial position and activities of Bellingham Technical 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.

Reporting Entity

Bellingham Technical 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 4,500 students. The College confers baccalaureate and associates degrees, certificates and high school diplomas. The College was established in 1957 and its primary purpose is to provide student-centered, high-quality professional technical education to students pursuing educational and employment goals, while contributing to the economic and cultural enrichment of its communities.

The College's main campus is located in Bellingham, Washington, a community of about 90,000 residents. The College is governed by a five-member Board of Trustees appointed by the Governor with the consent of the state Senate. In accordance with Washington State law governing technical colleges, the College's board includes one member from business and one member from labor. In addition, the College has a Governor-appointed student trustee who is prohibited from voting on personnel or collective bargaining matters. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit, the BTC Foundation. The College's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2020. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the College's financial health as a whole.

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 30th	**FY 2020**	**FY 2019**
Assets		
Current Assets	$ 7,472,967	$ 5,811,630
Capital Assets, net	60,958,660	62,659,719
Other Assets, non-current	4,104,423	4,087,768
Total Assets	**72,536,050**	**72,559,117**
Deferred Outflows of Resources	**3,180,683**	**2,155,268**
Liabilities		
Current Liabilities	3,928,272	4,055,196
Other Liabilities, non-current	32,594,001	31,962,427
Total Liabilities	**36,522,273**	**36,017,623**
Deferred Inflows of Resources	**4,811,819**	**5,135,774**
Net Position		
Net Investment in Capital Assets	43,908,075	44,409,719
Restricted	615,919	438,259
Unrestricted	(10,141,353)	(11,286,990)
Total Net Position	**$ 34,382,640**	**$ 33,560,988**

Current assets consist primarily of cash, investments, various accounts receivables and inventories. Current assets increased by about $1.6 million when compared to FY 2019 primarily due to an increase in cash of $1.6 million. This increase in cash is attributable to fiscal year end during a mid-biennium where capital spending is decreased when compared with an end biennium. Spending was also reduced due to budget cuts and the COVID-19 pandemic. Expenses decreased in FY20 as compared with FY19 in supplies and materials, purchased services and other operating expenses. Capital assets, net of depreciation decreased by about $1.7 million from the prior year. Other non-current assets consist primarily of the long-term portion of certain investments.

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 $2.2 million in FY 2019 and $3.2 million in FY 2020 of pension and postemployment-related deferred outflows.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificates of Participation (COP) debt, unearned revenue and short-term liabilities related to OPEB and pension liabilities. Current liabilities remained consistent when compared to the prior year. 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.

Non-current liabilities consist of the value of vacation and sick leave earned but not yet used by employees, pension and OPEB liabilities and the long-term portion of COP debt along with the unamortized premium related to this debt. The College's non-current liabilities had a net increase of approximately $600 thousand compared to FY 2019 balances. This is primarily due to a decrease in long-term liabilities from debt payments, a COP refunding in FY20 and offset by an increase in the pension liability.

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 expenses 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.

Unrestricted – Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

Net Position As of June 30th	**FY 2020**	**FY 2019**
Net investment in capital assets	$ 43,908,075	$ 44,409,719
Restricted		
Expendable (3.5% Financial Aid in Fund 860)	615,919	438,259
Unrestricted	(10,141,353)	(11,286,990)
Total Net Position	**$ 34,382,640**	**$ 33,560,988**

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 and 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, expenses and changes in net position for the years ended June 30, 2020 and 2019 is presented below.

Condensed Statement of Revenues, Expenses and Changes in Net Position as of June 30th	**FY 2020**	**FY 2019**
Operating Revenues		
Student tuition and fees, net	$ 5,981,785	$ 6,436,292
Auxiliary enterprise sales	1,181,921	1,448,059
State and local grants and contracts	7,800,532	7,222,751
Federal grants and contracts	1,290,397	1,042,479
Other operating revenues	121,135	224,035
Total operating revenues	**16,375,770**	**16,373,617**
Non-Operating Revenues		
State appropriations	15,199,913	13,669,311
Federal non-operating revenue	450,550	0
Federal Pell grant revenue	4,075,532	4,636,310
Investment income, net	81,432	71,034
Total non-operating revenues	**19,807,427**	**18,376,655**
Total Revenues	**36,183,197**	**34,750,272**
Operating Expenses		
Salaries and wages	17,077,942	16,290,755
Benefits	5,679,662	5,364,948
Scholarships, net of discounts	6,007,025	5,436,177
Depreciation	2,069,141	2,090,172
Other operating expenses	4,801,507	6,827,367
Total operating expenses	**35,635,278**	**36,009,418**
Non-Operating Expenses		
Building fee remittance	720,764	704,076
Innovation fund remittance	168,506	175,881
Interest on indebtedness	589,786	800,809
Total non-operating expenses	**1,479,056**	**1,680,766**
Total Expenses	**37,114,334**	**37,690,184**
Excess (deficiency) before capital contributi	**(931,137)**	**(2,939,912)**
Capital Appropriations and Contributions	1,752,789	3,455,046
Change in Net Position	**821,652**	**515,133**
Net Position, Beginning of the Year	33,560,988	33,045,854
Net Position, End of the Year	**$ 34,382,640**	**$ 33,560,988**

Revenues

The State of Washington legislatively appropriates funds to the State Board for Community and Technical Colleges (SBCTC) which then allocates monies to each individual college. The SBCTC allocates funds to each of the 34 college's based on 3-year average FTE actuals and FTE targets. State funding increased $1.5 million in FY 2020 as compared with the prior year. The funding increase provided cost of living increases, and additional targeted salary increases for nursing faculty through the Washington State Workforce Educational Investment Act.

Student enrollment declined in FY 2020 by about nine percent, negatively affecting tuition and student fee revenue streams. The Covid-19 Pandemic is primarily associated with the significant decline in enrollment during the year. Student enrollment was similar to the prior year for the first three quarters of the school year. As Covid-19 enveloped Washington, the SBCTC cancelled on-ground instruction for Spring Quarter. While most classes were moved online, approximately 100 classes were postponed until the Summer 2020 quarter. This resulted in a near 30 percent drop in spring enrollment from the prior year. When annualized with the prior quarters, the resulting affect is a nine percent decline in student FTE.

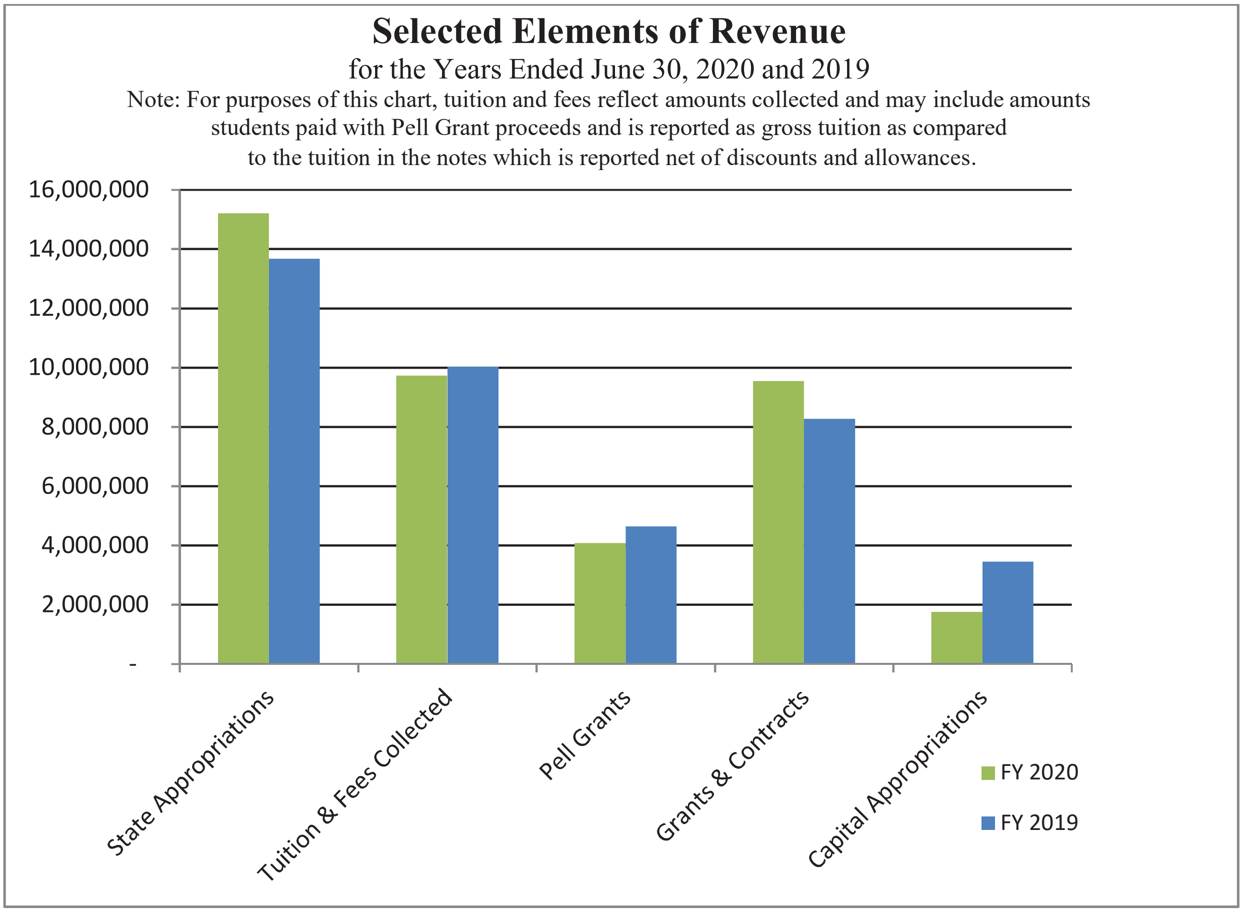
The cost of student tuition did increase 2.2 percent over the prior year. The increase was based on the legislatively established statewide tuition policy that links tuition increases to the Seattle-Metro median wage increase. Between lower enrollment and increased tuition costs, the net affect reduced tuition and fee revenue by approximately $.5 million.

The College increased state and local grants and contracts by approximately $.6 million in FY 2020.

The College receives capital spending authority on a biennial basis. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Capital appropriations were reduced in half from the prior year, primary based on Covid-19 and no capital activity occurring in the last half of the fiscal 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.

Comparison of Selected Elements of Revenue

The chart below shows the amount, in dollars, for selected areas of revenue for FY 2020 and FY 2019.



Expenses

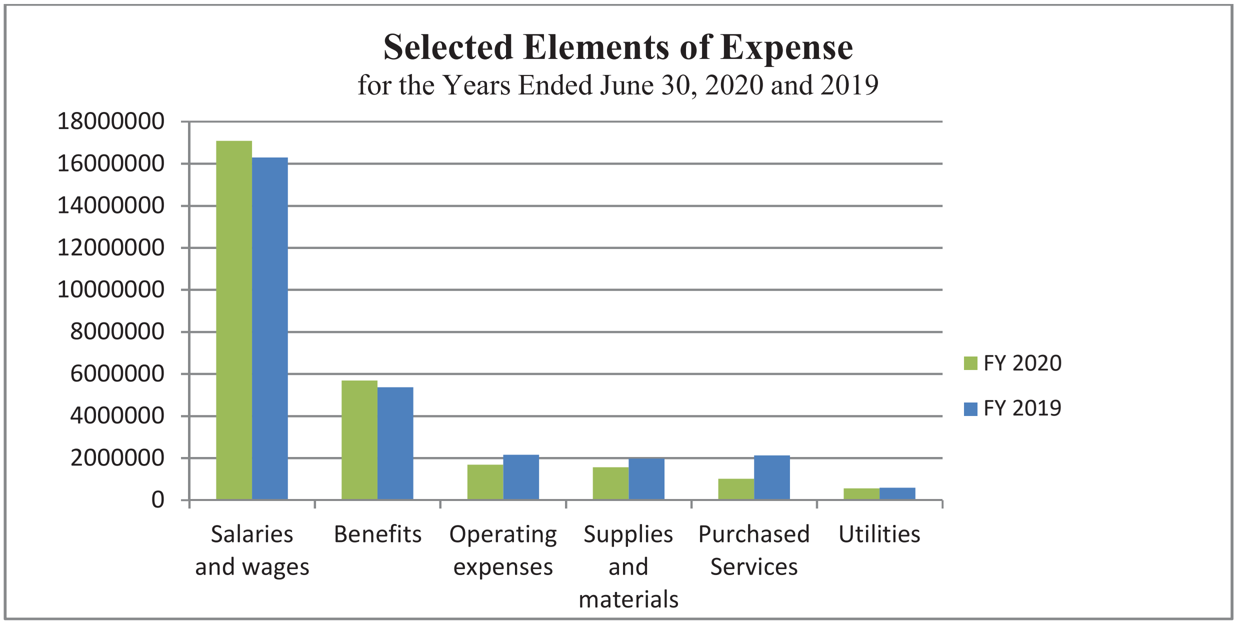
Faced with severe budget cuts over the past decade, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state and College spending freezes.

More recently, in FY 2020, salary costs increased as result of salary increases by the Legislature, negotiated increases for employees, and increasing costs related to having to compete in the job market in order to recruit and retain qualified employees.

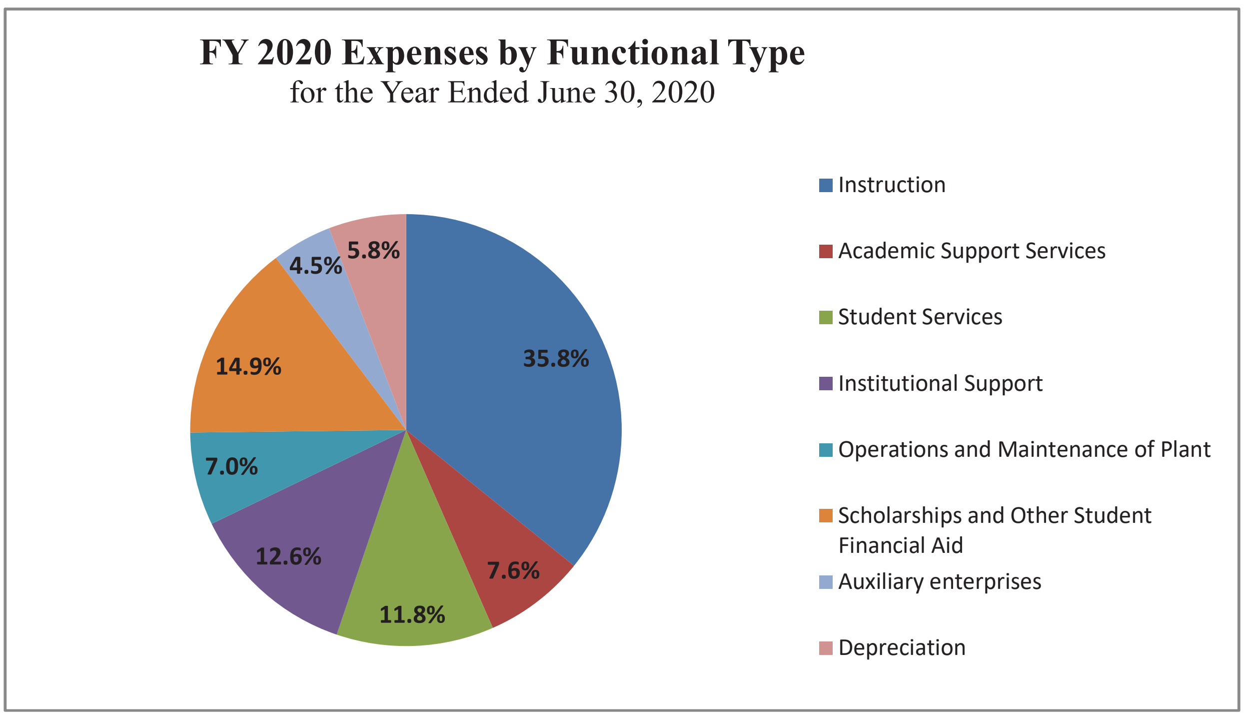
Utility costs remained similar to the prior year based on reduced usage from new lighting technology. Expenses for supplies and materials and purchased services all declined with the spending freeze related to the pandemic.

Depreciation expense is primarily driven by capital activity, with the annual depreciation expense showing an increase in any year when a new building is placed in service.

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



The chart below shows the percentage of each functional area of operating expenses for FY 2020



Capital Assets and Long-Term Debt Activities

The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for 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. In addition, the College has a project funded through a COP against which system–wide building fee monies were pledged.

At June 30, 2020, the College had invested $60,958,660 in capital assets, net of accumulated depreciation. This represents a decrease of about $1.70 million from last year, as shown in the table below.

Asset Type	June 30, 2020	June 30, 2019	Change
Land	$ 803,201	$ 803,201	$ -
Construction in Progress	-	-	-
Buildings, net	58,310,113	59,923,915	(1,613,802)
Equipment, net	1,754,232	1,824,949	(70,717)
Library Resources, net	91,114	107,655	(16,541)
Total Capital Assets, Net	**$ 60,958,660**	**$ 62,659,719**	**$ (1,701,059)**

The decrease in net capital assets is attributable to depreciation on the campus buildings and few facilities projects currently increasing the value of the College's capital assets. This includes normal replacement and acquisition of equipment and library resources which were slightly more than offset by current year depreciation.

At June 30, 2020, the College had $14,415,000 in outstanding debt resulting from the College entering into two COP. In FY 2010, the College entered into a COP for the construction of the Campus Center building and remodel of the College Services and Des McArdle Center buildings. In FY 2011, the College entered into a COP for the construction of space within the Campus Center building for the Campus Store and Student Activities Center. In September 2019, the remaining amount of the $17,275,000 COP was refinanced. The refunding COP was for $14,725,000 and had an original issue premium of $2,899,144 which the College will amortize over the life of the COP.

Description	June 30, 2020	June 30, 2019	Change
Certificates of Participation - Campus Center & College Services	$ 13,500,000	$ 17,275,000	$ (3,775,000)
Certificates of Participation - College Store & Student Activities Center	915,000	975,000	(60,000)
Total	**$ 14,415,000**	**$ 18,250,000**	**$ (3,835,000)**

Additional information on Capital Assets and Long-Term Debt Activities can be found in Notes 6, 12, 13 & 14 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

The College continues to be significantly impacted from Covid-19 and anticipates the pandemic conditions to continue to have substantial impacts to the College through the next fiscal year. While historically colleges have seen an increase in enrollments in times of higher unemployment, that has not been the trend the College has experienced at this time. With much of the instruction at the College needing a hands-on approach, it is expected that both student interest and the inability to operate normally will negatively impact enrollment through the next fiscal year.

Economically, Washington State forecast devastating tax shortfalls in the spring of FY 2020 but actual tax collections through the beginning of the new fiscal year have improved significantly over the initial tax collection forecasts based on the pandemic conditions. General government has instituted budget reductions and mandatory furlough days for employees but the higher education budget cuts won't be determined until the legislative session that begins in January 2021.

Prior to the Covid -19 recession, the Legislature did reinvest in the State Board of Community and Technical Colleges (SBCTC) through the Workforce Education Investment Act effective beginning July 2019 and anticipated to continue annually based on an increase statewide business and occupation tax specific to supporting higher education. This funding is expected to increase College revenues in FY 2021 and increase access to students to attend college with additional state funded financial aid, which may positively affect enrollment and tuition collection in future years. Initial tax collection estimates in FY 2021 indicate that this revenue source is currently stable and colleges are likely to receive full funding from this source in FY 2021.

Based on unreliable state funding and student enrollment, the College has prepared a budget for FY 2021 that includes significant declines in state and enrollment-based revenues. The budget also leaves over 30 employee positions either vacant or filled with temporary employees in order to reduce costs as much as possible. Despite that, a fiscal gap is still anticipated.

To help fill the fiscal gap, the College has approved use of approximately $1.2 million in operating reserves to balance the anticipated expenditures. The College will continue to look closely at budgets and ways to innovate instruction to attract more students through the fiscal year.

College Statement of Net Position

Bellingham Technical College
Statement of Net Position
June 30, 2020

Assets	
Current assets	
Cash and cash equivalents	$ 4,563,776
Restricted cash	615,919
Accounts receivable	1,420,005
Due from State Treasury	725,506
Inventories	147,761
Total current assets	7,472,967
Non-Current Assets	
Long-term investments	4,104,423
Non-depreciable capital assets	803,201
Capital assets, net of depreciation	60,155,459
Total non-current assets	65,063,083
Total assets	**72,536,050**
Deferred Outflows of Resources	
Deferred outflows related to pensions	1,526,272
Deferred outflows related to OPEB	1,654,411
Total deferred outflows of resources	3,180,683
Liabilities	
Current Liabilities	
Accounts payable	303,577
Accrued liabilities	1,686,774
Unearned revenue	573,082
Certificates of participation payable	1,140,000
Total pension liability, current portion	33,987
OPEB liability, current portion	190,853
Total current liabilities	3,928,272
Non-Current Liabilities	
Compensated absences	1,743,542
Certificates of participation	13,275,000
Unamortized premium on COP	2,635,585
Net pension liability	1,751,880
Total pension liability	2,310,469
OPEB liability	10,877,525
Total non-current liabilities	32,594,001
Total liabilities	**36,522,273**
Deferred Inflows of Resources	
Deferred inflows related to pensions	1,386,155
Deferred inflows related to OPEB	3,425,664
Total deferred inflows of resources	4,811,819
Net Position	
Net Investment in Capital Assets	43,908,075
Restricted for:	
Expendable	615,919
Unrestricted (deficit)	(10,141,353)
Total Net Position	**$ 34,382,640**

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

College Statement of Revenues, Expenses and Changes in Net Position

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

Operating Revenues		
Student tuition and fees, net	$	5,981,785
Auxiliary enterprise sales		1,181,921
State and local grants and contracts		7,800,532
Federal grants and contracts		1,290,397
Other operating revenues		121,135
Total operating revenue		16,375,770
Operating Expenses		
Salaries and wages		17,077,942
Benefits		5,679,662
Scholarships and fellowships		6,007,025
Supplies and materials		1,552,541
Depreciation		2,069,141
Purchased services		1,010,783
Utilities		552,465
Other operating expenses		1,685,719
Total operating expenses		35,635,278
Operating income (loss)		(19,259,508)
Non-Operating Revenues (Expenses)		
State appropriations		15,199,913
Federal non-operating revenue		450,550
Federal Pell grant revenue		4,075,532
Investment income, gains and losses		81,432
Building fee remittance		(720,764)
Innovation fund remittance		(168,506)
Interest on indebtedness		(589,786)
Net non-operating revenue (expenses)		**18,328,371**
Income or (loss) before other revenues, expenses, gains, or losses		(931,137)
Capital Contributions		
Capital appropriations		1,752,789
Increase (Decrease) in net position		821,652
Net Position		
Net position, beginning of year		33,560,988
Net position, end of year	$	34,382,640

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

College Statement of Cash Flows

Bellingham Technical College
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flows from operating activities	
Student tuition and fees	$ 6,090,873
Grants and contracts	9,260,280
Payments to vendors	(2,661,715)
Payments for utilities	(549,156)
Payments to employees	(16,743,529)
Payments for benefits	(5,692,731)
Auxiliary enterprise sales	1,165,985
Payments for scholarships and fellowships	(6,007,025)
Other receipts	121,135
Other payments	(1,914,704)
Net cash used by operating activities	(16,930,586)
Cash flows from noncapital financing activities	
State appropriations	14,618,277
Pell grants	4,075,532
Amounts for other than capital purposes	450,550
Building fee remittance	(720,764)
Innovation fund remittance	(168,506)
Net cash provided by noncapital financing activities	18,255,089
Cash flows from capital and related financing activities	
Capital appropriations	2,546,903
Purchases of capital assets	(368,082)
Certificate of participation proceeds	17,360,585
Principal paid on capital debt	(18,560,000)
Interest paid	(589,786)
Net cash provided by capital and related financing activities	389,620
Cash flows from investing activities	
Purchase of investments	(16,656)
Income of investments	81,432
Net cash provided by investing activities	64,776
Increase in cash and cash equivalents	1,778,899
Cash and cash equivalents at the beginning of the year	3,400,794
Cash and cash equivalents at the end of the year	$ 5,179,693

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

College Statement of Cash Flows (continued)

Reconciliation to cash and cash equivalents		
Cash and cash equivalents in current assets		4,563,776
Restricted cash and cash equivalents		615,919
		5,179,693
Reconciliation of Operating Loss to Net Cash used by Operating Activities		
Operating Loss	**$**	**(19,259,508)**
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense		2,069,141
Changes in assets and liabilities		
Receivables, net		(84,299)
Inventories		(10,615)
Accounts payable		(14,172)
Accrued liabilities		(28,469)
Deferred revenue		117,817
Compensated absences		302,144
Pension and OPEB liability adjustment		(22,625)
Net cash used by operating activities	$	(16,930,585)

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

Foundation Statement of Financial Position

BELLINGHAM TECHNICAL COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
Current assets		
Cash	$ 236,383	$ 147,391
Operating investments	636,599	730,166
Pledges receivable	11,135	27,180
Vehicles available for sale	1,200	950
Total current assets	885,317	905,687
Other assets		
Board designated investments	97,855	98,024
Endowment investments	3,227,852	3,126,412
Total other assets	3,325,707	3,224,436
Total assets	$ 4,211,024	$ 4,130,123

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities		
Accounts payable	$ 2,539	$ 7,287
Total current liabilities	2,539	7,287
Net assets		
Without donor restrictions	457,180	452,329
With donor restrictions	3,751,305	3,670,507
Total net assets	4,208,485	4,122,836
Total liabilities and net assets	$ 4,211,024	$ 4,130,123

The footnote disclosures are an integral part of the financial statements

Foundation Statement of Activities and Changes in Net Position

BELLINGHAM TECHNICAL COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	2020				2019
	Without Donor Restrictions				
	General	College Related	With Donor Restrictions	Total	Jun 30, 2019 Total
Support and Revenue					
Cash donations	$ 24,160	$ -	$ 382,380	$ 406,540	$ 781,464
In-kind donations	-	227,128	22,330	249,458	269,402
Special projects	108,009	-	6,370	114,379	203,928
Gain (loss) on sales of assets	-	-	-	-	(50)
Investment return, net	28,549	-	129,286	157,835	232,589
Total support and revenue before net assets released from restrictions	160,718	227,128	540,366	928,212	1,487,333
Net assets released from restrictions	459,568	-	(459,568)	-	-
Total support and revenue	620,286	227,128	80,798	928,212	1,487,333
Expenses					
Scholarships	369,284	-	-	369,284	377,824
In-kind equipment	22,080	-	-	22,080	25,047
Grants	2,990	-	-	2,990	9,061
Special projects	143,672	-	-	143,672	128,265
Emergency funds	3,477	-	-	3,477	3,036
Administrative expenses	73,932	227,128	-	301,060	337,584
Total expenses	615,435	227,128	-	842,563	880,817
Increase (decrease) in net assets	4,851	-	80,798	85,649	606,516
Net assets, beginning of year	452,329	-	3,670,507	4,122,836	3,516,320
Net assets, end of year	**$ 457,180**	**$ -**	**$ 3,751,305**	**$ 4,208,485**	**$ 4,122,836**

The footnote disclosures are an integral part of the financial statements

Notes to the Financial Statements
June 30, 2020

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Bellingham Technical College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers baccalaureate and associates degrees, certificates and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate.

The College is an agency of the State of Washington. The financial activity of the College is included in the State's Comprehensive Annual Financial Report.

The Bellingham Technical College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1987 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to solicit and receive contributions to provide scholarship assistance to students and support the educational programs of the 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, 2019, the Foundation distributed approximately $490,493 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 by calling (360) 752-8684.

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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand and bank demand deposits. Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets. The College records all cash, cash equivalents, and investments at amortized cost, which approximates 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 and course-related supplies in the College bookstore, and consumable supplies held in storage for food services activities are valued at cost using the First In, First Out (FIFO) method.

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. 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 $1.0 million or more, building 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.

In accordance with GASB Statement 42, 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, 2019, 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. The College has recorded future quarter tuition and fees as unearned revenues. Unearned revenues also include tuition and fees paid with financial aid funds.

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 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 year end 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 earnings 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 principal. The College does not have balances in this category.
- *Restricted for Expendable*. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties. This balance is comprised of the 3.5% of tuition that is in fund 860 reserved for institutional financial aid.
- *Restricted for Loans*. The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority. The College does not have balances in this category.
- *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 unrestricted resources and then towards restricted 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) most federal, state and local grants and contracts that primarily support the operational/educational activities of the College.

Operating Expenses. This includes 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 FY20, 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 $3,745,983.

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

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 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.

2. Accounting and Reporting Changes

Accounting Standard Impacting the Future

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

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

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which will be effective for the fiscal year ending June 30, 2021. GASB 95 has postponed the effective date to fiscal year 2022. This Statement requires that interest cost incurred before the end of a construction period be recognized as 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.

3. Deposits and Investments

Deposits

Cash and cash equivalents include bank demand deposits and petty cash held at the College. The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at amortized cost, which approximates 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 $5.2 million as represented in the table below.

Cash and Cash Equivalents	June 30, 2020	
Petty Cash and Change Funds	$	3,163
Bank Demand Deposits		5,176,532
Total Cash and Cash Equivalents	**$**	**5,179,695**

Restricted Cash

Restricted cash includes the 3.5 percent institutional financial aid from tuition in Fund 860. The amount of restricted cash at June 30, 2020 was $615,919.

Investments

Investments consist of U.S. Federal Agency debt. Investments in debt securities are subject to losses of all 100 percent of the balance of investments.

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	Fair Value	One Year or Less	1 - 5 Years	6 - 10 Years	10 or More Years
U.S. Agency Obligations	4,108,516	-	4,108,516	-	-
Total Investments	**$ 4,108,516**	**$ -**	**$ 4,108,516**	**$ -**	**$ -**

<u>Custodial Credit Risks—Deposits</u>
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 Bank of America. 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).

<u>Interest Rate Risk—Investments</u>
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 from the date of purchase.

<u>Concentration of Credit Risk—Investments</u>
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, all of the College's operating fund investments were held by the College's custodian banks in the College's name.

Investment Expenses
Investment income for the College is shown net of investment expenses. The College's investment expenses for the fiscal year ended June 30, 2020 were $500.

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	$ 773,517
Due from the Federal Government	173,381
Due from Other State Agencies	397,647
Auxiliary Enterprises	45,118
Other	48,523
Subtotal	**$ 1,438,187**
Less Allowance for Uncollectible Accounts	(18,181)
Total Accounts Receivable, net	**$ 1,420,005**

5. Inventories

Inventories, stated at cost using FIFO consisted of the following as of June 30, 2020.

Inventories	Amount
Consumable Inventories	$ 7,058
Merchandise Inventories	140,703
Total Inventories	**$ 147,761**

6. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2020 is presented as follows. The current year depreciation expense was $2,069,141.

Capital Assets	Beginning Balance	Additions / Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	$ 803,201	$ -	$ -	$ 803,201
Total nondepreciable capital assets	**$ 803,201**	**$ -**	**$ -**	**$ 803,201**
Depreciable capital assets				
Buildings	$ 79,596,057	$ -	$ -	$ 79,596,057
Equipment	6,358,979	356,283	(221,420)	$ 6,493,842
Library resources	895,233	11,800	(28,681)	$ 878,352
Subtotal depreciable capital assets	**86,850,268**	**368,082**	**(250,101)**	**86,968,250**
Less accumulated depreciation				
Buildings	$ 19,672,142	$ 1,613,802	$ -	$ 21,285,944
Equipment	4,534,030	426,999	(221,420)	4,739,609
Library resources	787,578	28,340	(28,681)	787,238
Total accumulated depreciation	**24,993,750**	**2,069,141**	**(250,101)**	**26,812,791**
Total depreciable capital assets, net	**$ 61,856,518**	**$ (1,701,059)**	**$ -**	**$ 60,155,459**
Capital assets, net of accum. depr.	**$ 62,659,719**	**$ (1,701,059)**	**$ -**	**$ 60,958,660**

7. Accounts Payable and Accrued Liabilities

At June 30, 2020, accrued liabilities are the following.

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed for Employee Payroll	$ 1,396,345
Other Accrued Liabilities	594,006
Total Accounts Payable and Accrued Liabilities	**$ 1,990,351**

8. Unearned Revenue

Unearned revenue is comprised of receipts which have not yet met revenue recognition criteria, as follows as of June 30, 2020:

Unearned Revenue	Amount
Future Quarter Tuition & Fees	$ 573,082

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, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. Payments made for claims from July 1, 2019 through June 30, 2020, were $66,345.

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.

10. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25 percent 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 $875,067 and accrued sick leave totaled $868,475 at June 30, 2020. Accrued annual and sick leave are categorized as non-current liabilities.

11. Leases Payable

The college has entered into leases for property and office equipment from various vendors. These leases are classified as operating leases. As of June 30, 2020, the minimum lease payments under operating leases consist of the following:

Fiscal year	Equipment Leases	Property Leases
2021	$ 29,822	$ 204,480
2022	27,337	209,018
2023		214,081
2024		23,375
2025		6,000
2026-2030		30,000
2031-2035		24,000
Total Minimum Lease Payments	**$ 57,160**	**$ 710,954**

12. Notes Payable

In June 2010, the College obtained financing in order to build the Campus Center Building and remodel the College Services and Des McArdle Center buildings through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $27,335,000. In September 2019, the remaining amount of the COP $17,275,000 was refinanced. The new amount financed was $14,725,000 as the new bond sold for a premium of $2,899,144, which the College will amortize over the life of the COP. The interest rate is 1.64% and is for an 11-year term.

In February 2011, the College obtained financing in order to add space for the Campus Store and Student Activities Center within the Campus Center building through COP, issued by the OST in the amount of $1,410,000. Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt related to the Student Activities space starting in 2005. The remaining portion of the debt service is paid from the accumulated retained earnings of the Campus Store. The interest rate charged is 4.9 percent. Student fees and Campus Store earnings related to the COP are accounted for in dedicated funds, which are used to pay principal and interest, rather than coming out of the general operating budget.

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 denoted in the following section.

13. Annual Debt Service Requirements

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

Annual Debt Service Requirements			
	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2021	1,140,000	719,120	1,859,120
2022	1,195,000	662,465	1,857,465
2023	1,255,000	603,065	1,858,065
2024	1,315,000	540,424	1,855,424
2025	1,385,000	474,743	1,859,743
2026-2031	8,125,000	1,266,594	9,391,594
Total	**$ 14,415,000**	**$ 4,266,410**	**$ 18,681,410**

14. Schedule of Long Term Liabilities

Long Term Debt	Balance outstanding 6/30/19	Additions	Reductions	Balance outstanding 6/30/20	Current portion
Certificates of Participation	18,250,000	14,725,000	(18,560,000)	14,415,000	1,140,000
Unamortized premium -COP	-	2,899,144	(263,559)	2,635,585	
Compensated absences	1,441,398	302,144	-	1,743,542	-
Net pension liability	2,229,548	1,178,326	(1,655,994)	1,751,880	-
Total pension liability	1,739,761	2,378,442	(1,773,747)	2,344,456	33,987
OPEB liability	9,868,660	5,177,818	(3,978,100)	11,068,378	190,853
Total	**$ 33,529,367**	**$ 26,660,875**	**$ (26,231,400)**	**$ 33,958,842**	**$ 1,364,840**

15. Retirement Plans

A. General

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) plans are cost sharing multiple employer defined benefit pension plans administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan (SBRP) is a defined contribution single employer pension plan with a supplemental payment when required. 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, and 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	$ 4,096,335
Deferred outflows of resources related to pensions	$ 1,526,272
Deferred inflows of resources related to pensions	$ 1,386,155
Pension expense	$330,380

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.

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

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

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

TRS

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

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

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

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

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

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

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

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

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

Contributions

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

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

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

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rate	12.86%	12.86%	15.51%	15.51%
Actual Contributions	$215,599	$356,914	$42,068	$47,170

* 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	1,438,760	1,148,877	897,365
PERS 2/3	2,873,087	374,607	(1,675,561)
TRS 1	234,289	183,308	139,086
TRS 2/3	245,723	45,088	(118,042)

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 net pension liability of $1,751,880 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$1,148,877
PERS 2/3	374,607
TRS 1	183,308
TRS 2/3	45,088

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:

	2018	2019	Change
PERS 1	0.030116%	0.029877%	-0.000239%
PERS 2/3	0.038665%	0.038566%	-0.000099%
TRS 1	0.006642%	0.007404%	0.000762%
TRS 2/3	0.006754%	0.007483%	0.000729%

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	$42,104
PERS 2/3	74,216
TRS 1	33,295
TRS 2/3	34,069
TOTAL	$183,684

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		**PERS 2/3**	
	Deferred Outflows	**Deferred Inflows**	**Deferred Outflows**	**Deferred Inflows**
Difference between expected and actual experience			107,326	80,538
Difference between expected and actual earnings of pension plan investments		76,755		545,275
Changes of Assumptions			9,592	157,173
Changes in College's proportionate share of pension liabilities			578	59,624
Contributions to pension plans after measurement date	215,295		358,223	
Total	**$ 215,295**	**$ 76,755**	**$475,719**	**$ 842,610**

	TRS 1		**TRS 2/3**	
	Deferred Outflows	**Deferred Inflows**	**Deferred Outflows**	**Deferred Inflows**
Difference between expected and actual experience			31,350	1,451
Difference between expected and actual earnings of pension plan investments		14,058		38,926
Changes of Assumptions			16,998	11,980
Changes in College's proportionate share of pension liabilities			12,833	18,016
Contributions to pension plans after measurement date	39,699		45,002	
Total	**$ 39,699**	**$14,058**	**$ 106,183**	**$70,373**

The $836,897 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	$ (16,944)	$ (179,728)	$ (2,886)	$ (2,718)
2022	(40,135)	(292,921)	(7,547)	(15,106)
2023	(14,323)	(137,179)	(2,654)	(4,410)
2024	(5,352)	(79,491)	(971)	(401)
2025	-	(37,207)	-	2,881
Thereafter	-	1,413	-	10,563
Total	**$ (76,754)**	**$ (725,113)**	**$ (14,058)**	**$ (9,191)**

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. Bellingham Technical College participates in this plan as authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer. 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 $847,786.

Benefits Provided. The State Board Supplemental Retirement Plans 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 SBRP supplemental 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 $28,537. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2020, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $50,404. This amount was not used as a part of GASB 73 calculations its status as an asset has not been determined by the Legislature. As of June 30, 2020, the Community and Technical College system accounted for $23,208,875 of the fund balance.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018. Updated procedures were used to roll forward the total pension liability 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%-6.5%

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 State Board Supplemental Retirement Plans.

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

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

Pension Expense
Pension expense for the fiscal year ending June 30, 2020 was $146,695.

Bellingham Technical College

Proportionate Share (%)	**1.59839%**
Service Cost	56,206
Interest Cost	63,226
Amortization of Differences Between Expected and Actual Experience	(40,433)
Amortization of Changes in Assumptions	59,150
Changes of Benefit Terms	-
Administrative Expenses	-
Other Changes in Fiduciary Net Position	-
Proportionate Share of Collective Pension Expense	**138,149**
Amortization of the Change in Proportionate Share of TPL	8,546
Total Pension Expense	**146,695**

Proportionate Shares of Pension Liabilities
The College's proportionate share of pension liabilities was 1.58% for fiscal year ending June 30, 2020. 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 colleges. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Proportionate Share (%) 2019		**1.57608%**
Proportionate Share (%) 2020		**1.59839%**
Total Pension Liability - Ending 2019	$	1,739,761
Total Pension Liability - Beginning 2020		1,764,388
Total Pension Liability Change in Proportion		24,627
Total Deferred Inflows/Outflows - 2019		207,985
Total Deferred Inflows/Outflows - 2020		210,929
Total Deferred Inflows/Outflows Change in Proportion		2,944
Total Change in Proportion	**$**	**27,571**

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				
District	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled to But Not Yet Receiving Benefits	Active Members	Total Members
25	8	4	62	74

Change in Total Pension Liability
The following table presents the change in total pension liability/(asset) of State Board Supplemental Retirement Plans at June 30, 2020, the latest measurement date for all plans (expressed in thousands):

Schedule of Changes in Total Pension Liability		
Total Pension Liability		Amount
Service cost	$	56
Interest		63
Changes of benefit terms		-
Differences between expected and actual experien		133
Changes of assumptions		356
Benefit payments		(29)
Change in proportionate share of TPL		25
Net Change in Total Pension Liability		604
Total Pension Liability - Beginning		1,740
Total Pension Liability - Ending	**$**	**2,344**

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 (expressed in thousands):

Total Pension Liability	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Bellingham Technical College	2,696	2,344	2,055

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2020, the State Board Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	189	296
Changes of assumptions	446	80
Changes in College's proportionate share of pension liability	54	6
Transactions subsequent to the measurement date	-	-
Total	689	382

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 (expressed in thousands):

State Board Supplemental Retirement Plan	
2021	27
2022	27
2023	27
2024	54
2025	93
Thereafter	78

16. Other Post-Employment Benefits

Plan Description. In addition to pension benefits as described in Note 14, 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*	231
Retirees Receiving Benefits**	67
Retirees Not Receiving Benefits***	1
Total Active Employees and Retirees	299

*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 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2020 which includes projected claims cost at the time of this

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

Total OPEB Liability

As of June 30, 2019, the state reported a total OPEB liability of $5.804 billion. The College's proportionate share of the total OPEB liability is $11,068,378. 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 Percentag	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, 2020, 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:

Bellingham Technical College	
Proportionate Share (%)	**0.1907072126%**
Service Cost	448,165
Interest Cost	388,757
Differences Between Expected and Actual Experience	-
Changes in Assumptions*	723,969
Changes of Benefit Terms	-
Benefit Payments	(177,833)
Changes in Proportionate Share	(183,340)
Other	-
Net Change in Total OPEB Liability	1,199,718
Total OPEB Liability - Beginning	9,868,660
Total OPEB Liability - Ending	**11,068,378**

*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
$ 13,403,435	$ 11,068,378	$ 9,254,730

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
$ 8,958,171	$ 11,068,378	$ 13,908,396

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 $524,604. OPEB expense consists of the following elements:

Bellingham Technical College

Proportionate Share (%)		**0.1907072126%**
Service Cost	$	448,165
Interest Cost	$	388,757
Amortization of Differences Between Expected and Actual Experience		42,223
Amortization of Changes in Assumptions	$	(405,333)
Changes of Benefit Terms		-
Amortization of Changes in Proportion	$	50,792
Administrative Expenses		-
Total OPEB Expense	**$**	**524,604**

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

Bellingham Technical College		
Proportionate Share (%)	**0.1907072126%**	
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience	$ -	$ 295,561
Changes in assumptions	3,209,199	643,527
Transactions subsequent to the measurement date	-	190,853
Changes in proportion	216,465	524,470
Total Deferred Inflows/Outflows	**$ 3,425,664**	**$ 1,654,411**

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 (%)		**0.1907072126%**
2021	$	(312,319)
2022	$	(312,319)
2023	$	(312,319)
2024	$	(312,319)
2025	$	(312,319)
Thereafter	$	(400,511)

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	**0.1943172289%**
Proportionate Share (%) 2019	**0.1907072126%**
Total OPEB Liability - Ending 2018	$ 9,868,660
Total OPEB Liability - Beginning 2019	9,685,320
Total OPEB Liability Change in Proportion	(183,340)
Total Deferred Inflows/Outflows - 2018	(3,239,540)
Total Deferred Inflows/Outflows - 2019	(3,179,357)
Total Deferred Inflows/Outflows Change in Proportion	60,183
Total Change in Proportion	**$ (243,523)**

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		Amount
Instruction	$	12,754,964
Academic Support Services		2,718,843
Student Services		4,203,177
Institutional Support		4,500,375
Operations and Maintenance of Plant		2,489,058
Scholarships and Other Student Financial Aid		5,293,092
Auxiliary enterprises		1,606,627
Depreciation		2,069,141
Total operating expenses	**$**	**35,635,277**

18. Commitments and Contingencies

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.

19. Subsequent Events

In October 2020, the Washington State Treasurer's office refunded the Certificates of Participation on behalf of the College related to the College Store and Student Activities Center in the Campus Center Building. This refunding resulted in a savings of $200,000 dollars over the remaining period. The sale was transacted October 14, 2020.

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Bellingham Technical College's Proportionate Share of the Net Pension Liability

Schedule of Bellingham Technical 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's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.030512%	$ 1,537,056	$ 3,381,781	45.45%	61.19%
2015	0.031377%	$ 1,641,309	$ 3,607,688	45.49%	59.10%
2016	0.031863%	$ 1,711,193	$ 3,810,497	44.91%	57.03%
2017	0.030471%	$ 1,445,873	$ 3,850,864	37.55%	61.24%
2018	0.030116%	$ 1,344,991	$ 4,018,080	33.47%	63.22%
2019	0.029877%	$ 1,148,877	$ 4,201,726	27.34%	67.12%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Bellingham Technical College's Proportionate Share of the Net Pension Liability

Schedule of Bellingham Technical 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's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.039284%	$ 794,072	$ 3,381,781	23.48%	93.29%
2015	0.040535%	$ 1,448,339	$ 3,607,688	40.15%	89.20%
2016	0.040828%	$ 2,055,658	$ 3,810,497	53.95%	85.82%
2017	0.039193%	$ 1,361,769	$ 3,850,864	35.36%	90.97%
2018	0.038665%	$ 660,170	$ 4,018,080	16.43%	95.77%
2019	0.038566%	$ 374,607	$ 4,201,726	8.92%	97.77%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Bellingham Technical College's Proportionate Share of the Net Pension Liability

Schedule of Bellingham Technical 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's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.014121%	$ 416,492	$ 420,323	99.09%	68.77%
2015	0.013990%	$ 443,223	$ 530,324	83.58%	65.70%
2016	0.010580%	$ 361,226	$ 469,671	76.91%	62.07%
2017	0.008676%	$ 262,299	$ 506,183	51.82%	65.58%
2018	0.006642%	$ 193,986	$ 394,265	49.20%	66.52%
2019	0.007404%	$ 183,308	$ 516,878	35.46%	70.37%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Bellingham Technical College's Proportionate Share of the Net Pension Liability

Schedule of Bellingham Technical 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's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.004624%	$ 14,935	$ 207,231	7.21%	96.81%
2015	0.007962%	$ 67,184	$ 388,559	17.29%	92.48%
2016	0.008539%	$ 117,226	$ 440,626	26.60%	88.72%
2017	0.008889%	$ 82,040	$ 506,183	16.21%	93.14%
2018	0.006754%	$ 30,401	$ 394,265	7.71%	96.88%
2019	0.007483%	$ 45,088	$ 516,878	8.72%	96.36%
2020					
2021					
2022					
2023					

Note: 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	$ 135,056	$ 135,056	$ -	$ 3,381,781	3.99%
2015	$ 144,210	$ 144,210	$ -	$ 3,607,688	4.00%
2016	$ 180,693	$ 180,693	$ -	$ 3,810,497	4.74%
2017	$ 183,290	$ 183,290	$ -	$ 3,850,864	4.76%
2018	$ 201,303	$ 201,303	$ -	$ 4,018,080	5.01%
2019	$ 214,232	$ 214,232	$ -	$ 4,201,726	5.10%
2020	$ 215,599	$ 215,599	$ -	$ 4,523,004	4.77%
2021					
2022					
2023					

Note: 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	$ 165,953	$ 165,953	$ -	$ 3,381,781	4.91%
2015	$ 180,566	$ 180,566	$ -	$ 3,607,688	5.01%
2016	$ 235,697	$ 235,697	$ -	$ 3,810,497	6.19%
2017	$ 239,388	$ 239,388	$ -	$ 3,850,864	6.22%
2018	$ 298,342	$ 298,342	$ -	$ 4,018,080	7.42%
2019	$ 314,979	$ 314,979	$ -	$ 4,201,726	7.50%
2020	$ 356,914	$ 356,914	$ -	$ 4,523,004	7.89%
2021					
2022					
2023					

Note: 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	$ 27,926	$ 27,926	$ -	$ 420,323	6.64%
2015	$ 31,307	$ 31,307	$ -	$ 530,324	5.90%
2016	$ 32,155	$ 32,155	$ -	$ 469,671	6.85%
2017	$ 30,362	$ 30,362	$ -	$ 506,183	6.00%
2018	$ 27,624	$ 27,624	$ -	$ 394,265	7.01%
2019	$ 36,768	$ 36,768	$ -	$ 516,878	7.11%
2020	$ 42,068	$ 42,068	$ -	$ 552,591	7.61%
2021					
2022					
2023					

Note: 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	$ 11,345	$ 11,345	$ -	$ 207,231	5.47%
2015	$ 21,160	$ 21,160	$ -	$ 388,559	5.45%
2016	$ 27,873	$ 27,873	$ -	$ 440,626	6.33%
2017	$ 32,750	$ 32,750	$ -	$ 506,183	6.47%
2018	$ 30,027	$ 30,027	$ -	$ 394,265	7.62%
2019	$ 39,110	$ 39,110	$ -	$ 516,878	7.57%
2020	$ 47,170	$ 47,170	$ -	$ 552,591	8.54%
2021					
2022					
2023					

Note: 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
Bellingham Technical College
Fiscal Year Ended June 30
(expressed in thousands)

	2020	2019	2018	2017
Total Pension Liability				
Service Cost	$ 56	$ 45	$ 61	$ 84
Interest	63	54	56	54
Changes of benefit terms	-	-	-	-
expected and actual experience	133	102	(165)	(391)
Changes of assumptions	356	193	(56)	(92)
Benefit Payments	(29)	(29)	(21)	(14)
Change in proportionate share of TPL	25	(6)	37	
Other	-	-	-	-
Net Change in Total Pension Liability	**605**	**360**	**(88)**	**(360)**
Total Pension Liability - Beginning	**1,740**	**1,380**	**1,468**	**1,827**
Total Pension Liability - Ending	**$ 2,344**	**$ 1,740**	**$ 1,380**	**$ 1,468**
College's Proportion of the Pension Liability	1.598394%	1.576084%	1.583008%	1.543965%
Covered-employee payroll	$ 10,080	$ 9,479	$ 9,127	$ 8,570
Total Pension Liability as a percentage of covered-employee payroll	23.25%	18.35%	15.12%	17.12%

Note: 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 Fiscal Year Ended June 30			
Total OPEB Liability	**2020**	**2019**	**2018**
Service cost	$ 448,165	$ 617,004	$ 736,266
Interest cost	388,757	424,187	344,871
Difference between expected and actual experience	-	387,200	-
Changes in assumptions	723,969	(2,701,152)	(1,682,288)
Changes in benefit terms	-	-	-
Benefit payments	(177,833)	(179,155)	(175,752)
Changes in proportionate share	(183,340)	460,226	187,167
Other	-	-	-
Net Changes in Total OPEB Liability	$ 1,199,718	$ (991,691)	$ (589,737)
Total OPEB Liability - Beginning	$ 9,868,660	$ 10,860,350	$ 11,450,087
Total OPEB Liability - Ending	$ 11,068,378	$ 9,868,659	$ 10,860,350
College's proportion of the Total OPEB Liability (%)	0.190707%	0.194317%	0.186417%
Covered-employee payroll	$ 15,436,313	$ 14,435,048	$ 13,830,911
Total OPEB Liability as a percentage of covered-employee payroll	71.703511%	68.365961%	78.522305%

Note: 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.

We would like to acknowledge the following staff responsible for the content of this report:

Chad Stiteler, Vice President of Administrative Services
Sherry Minninger, Controller
Brianne Lewis, Assistant Controller

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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- Explore public financial data with the Financial Intelligence Tool

Other ways to stay in touch

- Main telephone: (564) 999-0950
- Toll-free Citizen Hotline: (866) 902-3900
- Email: webmaster@sao.wa.gov