Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Bellevue College

For the period July 1, 2021 through June 30, 2022

Published March 30, 2023

Report No. 1032308

Office of the Washington State Auditor
Pat McCarthy

March 30, 2023

Board of Trustees
Bellevue College
Bellevue, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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Bellevue College
July 1, 2021 through June 30, 2022

Board of Trustees
Bellevue College
Bellevue, 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 and remaining fund information of the Bellevue College, as of and for the year ended June 30, 2022, 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 24, 2023.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Given these limitations, during our audit and the other auditors we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

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 24, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Bellevue College
July 1, 2021 through June 30, 2022

Board of Trustees
Bellevue College
Bellevue, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units and remaining fund information of the Bellevue College, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the financial section of our report.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units and remaining fund information of the Bellevue College, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 1, the financial statements of Bellevue 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 and remaining fund information. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2022, 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

March 24, 2023

FINANCIAL SECTION

Bellevue College
July 1, 2021 through June 30, 2022

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

Bellevue College

The following discussion and analysis provides an overview of the financial position and activities of Bellevue College (the College) for the fiscal year ended June 30, 2022 (FY 2022). 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.

Bellevue 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 18,517 students. The College confers applied baccalaureate degrees, associates degrees, certificates and high school diplomas. The College was established in 1967 and its primary purpose is to be a student-centered, comprehensive and innovative college, committed to teaching excellence that advances the life-long educational development of its students while strengthening the economic, social and cultural life of its diverse community. The college promotes student success by providing high-quality, flexible, accessible educational programs and services; advancing pluralism, inclusion and global awareness; and acting as a catalyst and collaborator for a vibrant region.

The College's main campuses are located in Bellevue, Washington, a community of about 152,600 residents. The College is governed by a six member Board of Trustees appointed by the governor of the state with the consent of the state Senate. 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 Bellevue College Foundation. The College's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2022. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

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

Statement of Net Position

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

Condensed Statement of Net Position
As of June 30, 2022

	2022	2021
Assets		
Current Assets	$ 117,621,776	$ 122,146,628
Capital Assets, net	$ 237,868,306	$ 242,344,192
Other Assets, non-current	$ 15,140,861	$ -
Total Assets	$ 370,630,942	$ 364,490,820
Deferred Outflows of Resources	$ 12,380,804	$ 11,606,121
Liabilities		
Current Liabilities	$ 16,361,916	$ 18,999,089
Other Liabilities, non-current	$ 105,106,512	$ 111,412,381
Total Liabilities	$ 121,468,428	$ 130,411,471
Deferred Inflows of Resources	$ 33,488,796	$ 22,582,378
Net Position		
Net Investment in Capital Assets	$ 187,161,366	$ 187,819,990
Restricted	$ 4,470,361	$ 1,214,581
Unrestricted	$ 36,422,795	$ 34,068,521
Total Net Position, as restated	$ 228,054,522	$ 223,103,092

Current assets consist primarily of cash, investments in LGIP, various accounts receivables and inventories. The modest decrease of current assets in FY 2022 can be attributed to a decrease in Accounts Receivable.

Net capital assets decreased by $4,475,886 from FY 2021 to FY 2022. The decrease is primarily the result of current depreciation expense of $7,538,791. This decrease was offset in part by ongoing acquisitions of capitalizable equipment and improvement projects such as the B Building project, which was projected to be completed in 2022.

In prior years, non-current assets consisted primarily of the long-term portion of certain investments the College increased or its long-term investments as other investments matured. However, in FY 2019, the college decreased its long-term investments in response to favorable interest rates in LGIP. The remaining long-term investments were recorded as short-term portion of long-term investments under current assets. As of FY 2022, all remaining short-term investments matured and the funds invested in LGIP. Additionally, the pension portion of GASB 68 shows a net pension asset as opposed to a net pension liability, therefore the college reports a net pension asset amount in non-current assets.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits related to GASB Statement No. 68 and Statement No. 75. 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 $11,606,121 in FY 2021 and 12,380,804 in FY 2022 of pension and postemployment-related deferred outflows. The increase reflects the change in proportionate share.

Similarly, the increase in deferred inflows in 2022 reflects the increase in difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits. The College recorded $22,582,378 in FY 2021 and $33,488,796 in FY 2022 of pension and postemployment-related deferred inflows. The increase reflects the change in proportionate share.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. When compared to FY 2021, FY 2022 payables decreased largely due to decreased unemployment insurance claims payable at year end.

The decrease in current liabilities from FY 2021 to FY 2022 is due to a decrease in unearned revenue, offset with an increase in accrued liabilities.

There was a decrease in unearned revenue, due in large part to the adjustment of unearned revenues by the associated receivables.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation debt, net pension liability and OPEB liability.

The College's slight decrease in non-current liabilities is primarily the result of a decrease in net pension liability. The College's non-current liabilities continue to decrease as the College pays down the principal owed on Certificates of Participation for the Parking Garage, the Student

Housing buildings, and the Student Success Center. The changes in non-current liabilities include decreases to employee vacation and sick leave balances. The College continues to amortize COP premiums and gains on refinancing, thereby reducing the Unamortized Premiums non-current 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 spending but for investment purposes only. Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Foundation. 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 2022**	**FY 2021**
Net investment in capital assets	$187,161,366	$187,819,990
Restricted		
Expendable	$4,470,361	$1,214,581
Unrestricted	$36,422,795	$34,068,521
Total Net Position	**$228,054,522**	**$223,103,092**

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 2022. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains and losses of the College.

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

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

A condensed comparison of the College’s revenues, expense and changes in net position for the years ended June 30, 2022 and 2021 is presented below.

Bellevue College
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022 and 2021

Operating Revenues	**2022**	**2021**
Student tuition and fees, net	38,271,270	43,723,897
Auxiliary enterprise sales	8,684,162	3,488,221
Grants and contracts	36,590,039	34,328,887
Other operating revenues	732,058	3,065,188
Total operating revenues	**84,277,528**	**84,606,193**
Non-Operating Revenues		
State appropriations	50,223,434	47,576,667
Federal Pell grant revenue	11,844,968	22,815,633
Other non-operating revenues	171,943	112,118
Total non-operating revenues	62,240,346	70,504,418
Total revenues	**146,517,874**	**155,110,612**
Operating Expenses		
Salaries and Benefits	89,549,381	93,330,840
Scholarships	20,070,075	10,780,097
Depreciation	7,538,791	7,051,252
Other operating expenses	20,987,012	21,709,442
Total operating expenses	**138,145,259**	**132,871,631**
Non-Operating Expenses		
Building fee remittance	2,451,305	3,017,555
Other non-operating expenses	1,761,088	2,657,852
Total non-operating expenses	**4,212,393**	**5,675,407**
Total expenses	142,357,653	138,547,038
Excess before capital contributions	**4,160,221**	**16,563,573**
Capital appropriations and contributions	**791,208**	**3,538,981**
Change in Net position	**4,951,430**	**20,102,554**
Net Position		
Net position, beginning of year	223,103,092	202,038,043
Cumulative effect of a change in accounting principle	-	962,496
Net position, beginning of year, as restated	223,103,092	203,000,539
Net position, end of year	**228,054,522**	**223,103,092**

Revenues

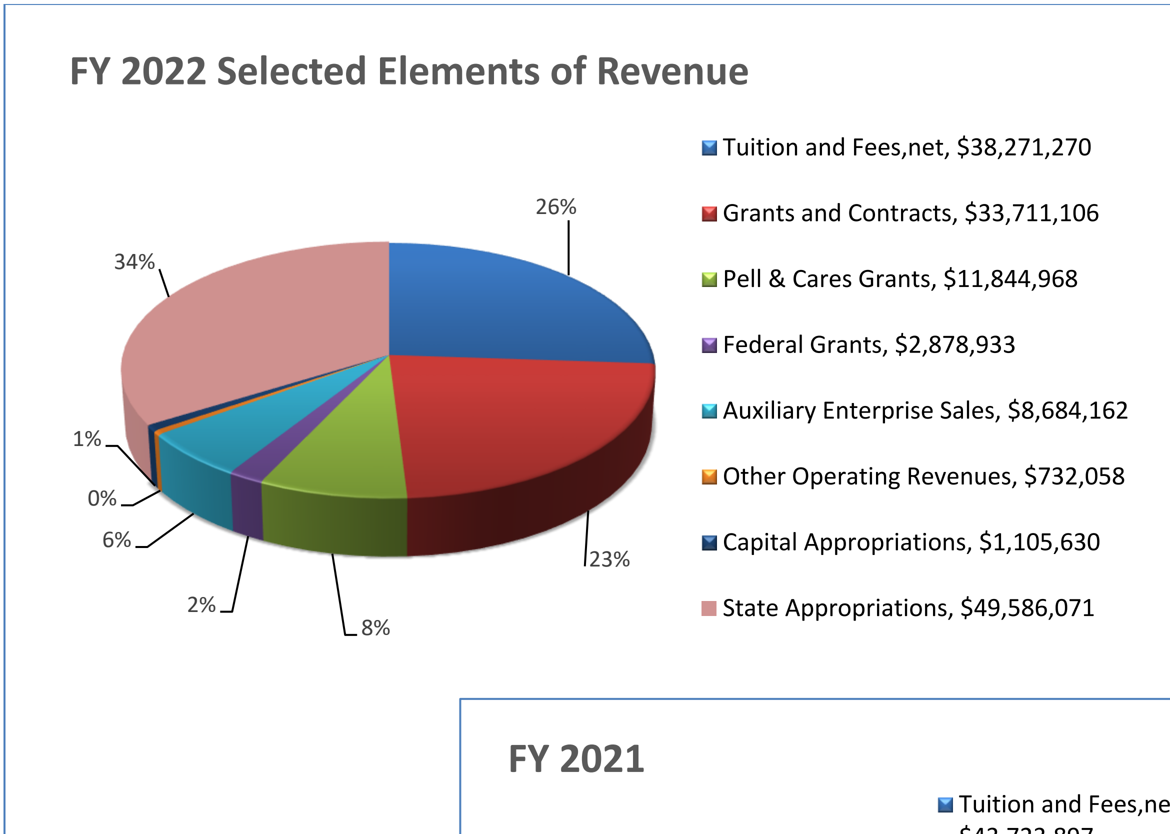
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college.

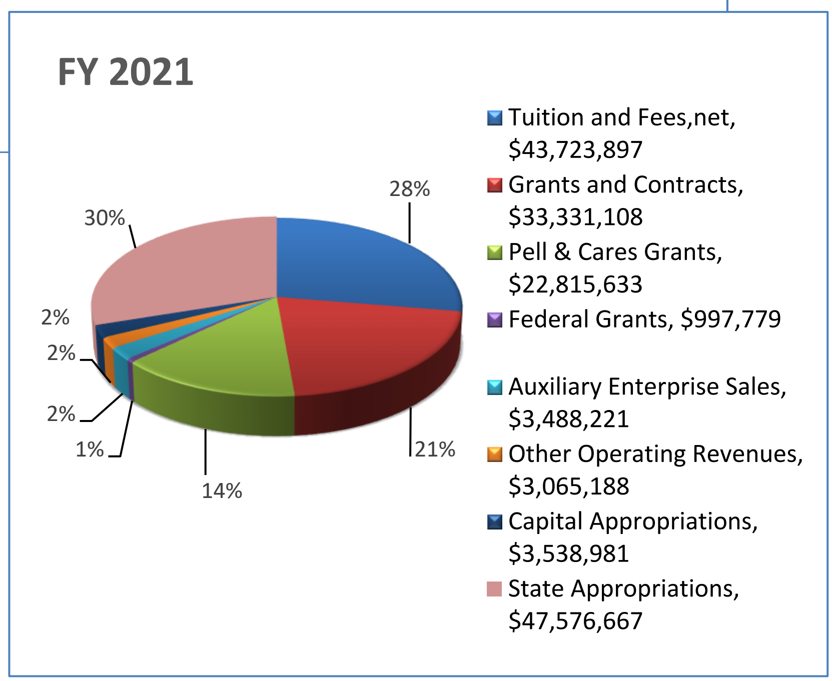
In FY 2022, the College's decrease in tuition and fee revenue is primarily attributed a decline in other enrollments, primarily part-time and international students. This decrease was partially offset by a combination of a legislative approved increase in the tuition rate and an increase in Self-support students, primarily a COVID-related surge of Running Start students.

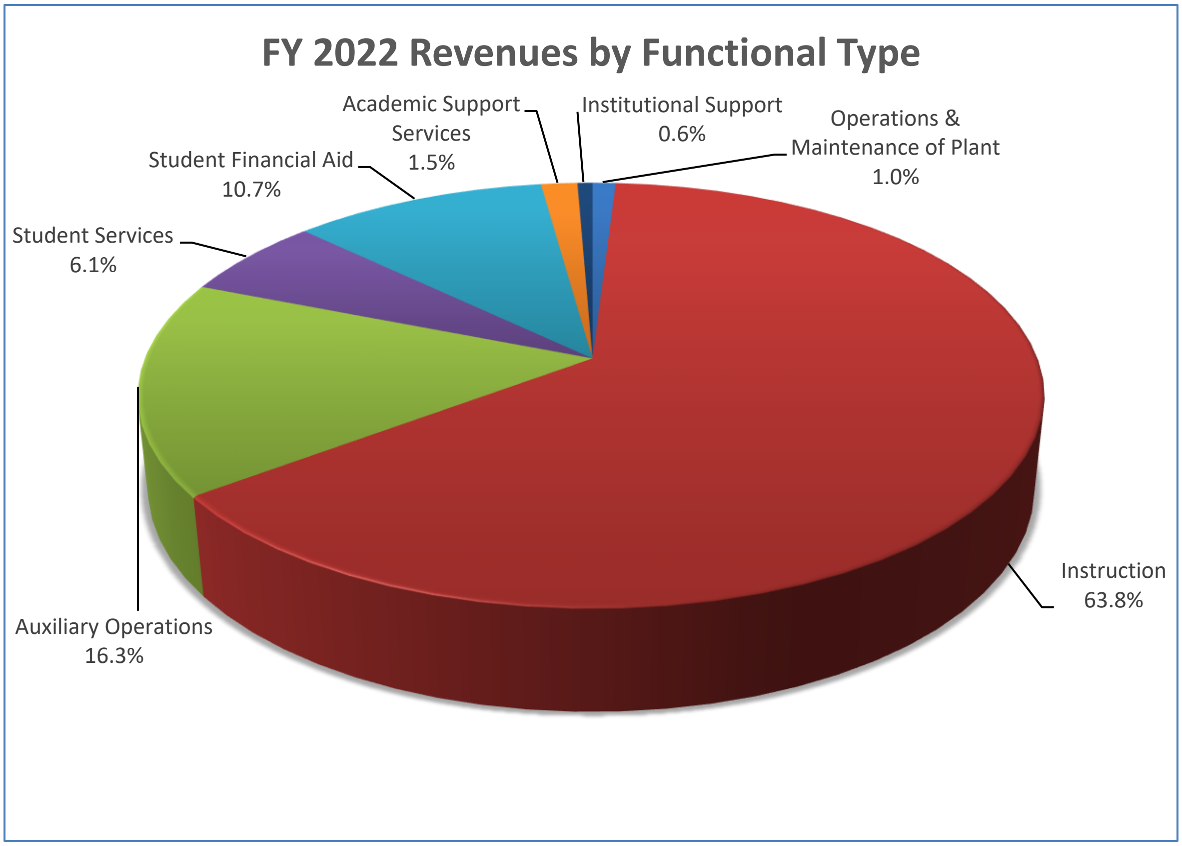
Pell grant revenues generally follow enrollment trends. As the College's allocation-eligible enrollment softened during FY 2022, so did the College's Pell Grant revenue. For FY 2022, the College attempted to keep other fees as stable as possible, resulting in only small changes in these revenues. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law. An example is the Intensive English program.

In FY 2022, grant and contract revenues increased by $2,261,152 when compared with FY 2021. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College also serves contracted international students who are not supported by state dollars. In FY 2022, state and local grants and contracts increased by $379,998 due to increased Interagency Revenues.

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


FY 2022 Selected Elements of Revenue
Tuition and Fees,net, $38,271,270
Grants and Contracts, $33,711,106
Pell & Cares Grants, $11,844,968
Federal Grants, $2,878,933
Auxiliary Enterprise Sales, $8,684,162
Other Operating Revenues, $732,058
Capital Appropriations, $1,105,630
State Appropriations, $49,586,071
26%
34%
1%
0%
6%
2%
8%
23%


FY 2021
Tuition and Fees,net, $43,723,897
Grants and Contracts, $33,331,108
Pell & Cares Grants, $22,815,633
Federal Grants, $997,779
Auxiliary Enterprise Sales, $3,488,221
Other Operating Revenues, $3,065,188
Capital Appropriations, $3,538,981
State Appropriations, $47,576,667
28%
30%
2%
2%
2%
1%
14%
21%



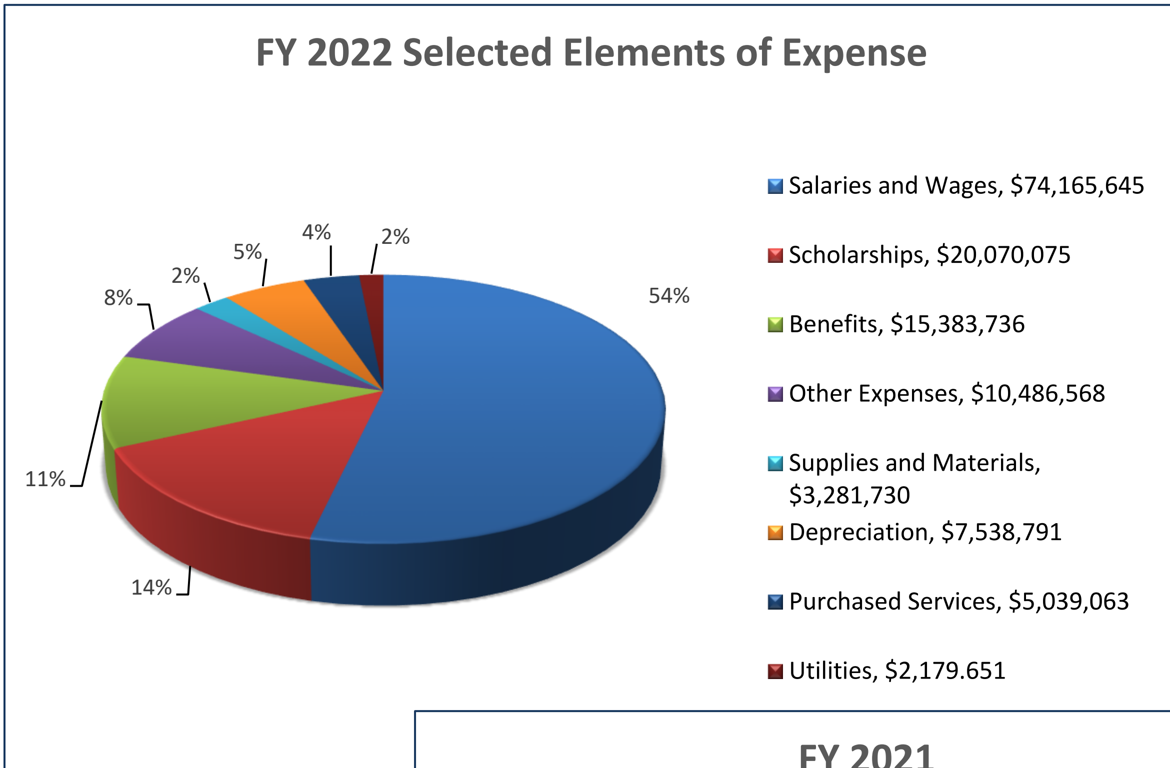
Expenses
The College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions.

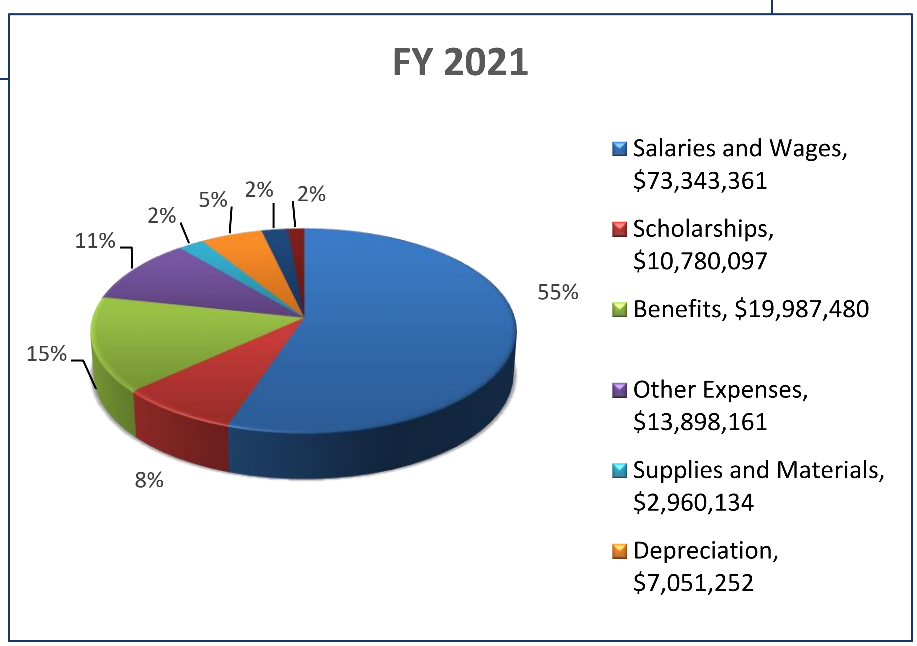
In FY 2021-22, salary and benefit decreased slightly compared to the previous year, due in part to decreased leave liability expense adjustment and continued staffing reductions in the auxiliary areas.

Total utility costs have increased in FY 2022 as a result of increased campus occupancy. With the start of the fall 2022 quarter, more staff and faculty returned to work on campus and more students began taking classes and living on campus. This resulted in higher consumption of electricity, gas, and waste. Water costs decreased due to less consumption from the previous year. All utility rates increased from previous years. Supplies and materials and purchased services are slightly higher in FY 2022, primarily as a result of an increase in spending related to increased campus occupancy as compared to the previous year. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs. These fluctuations are to be expected. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service.

Travel expenses increased significantly, as a result of lifting mandatory travel restrictions due to the COVID-19 pandemic imposed during the previous year.

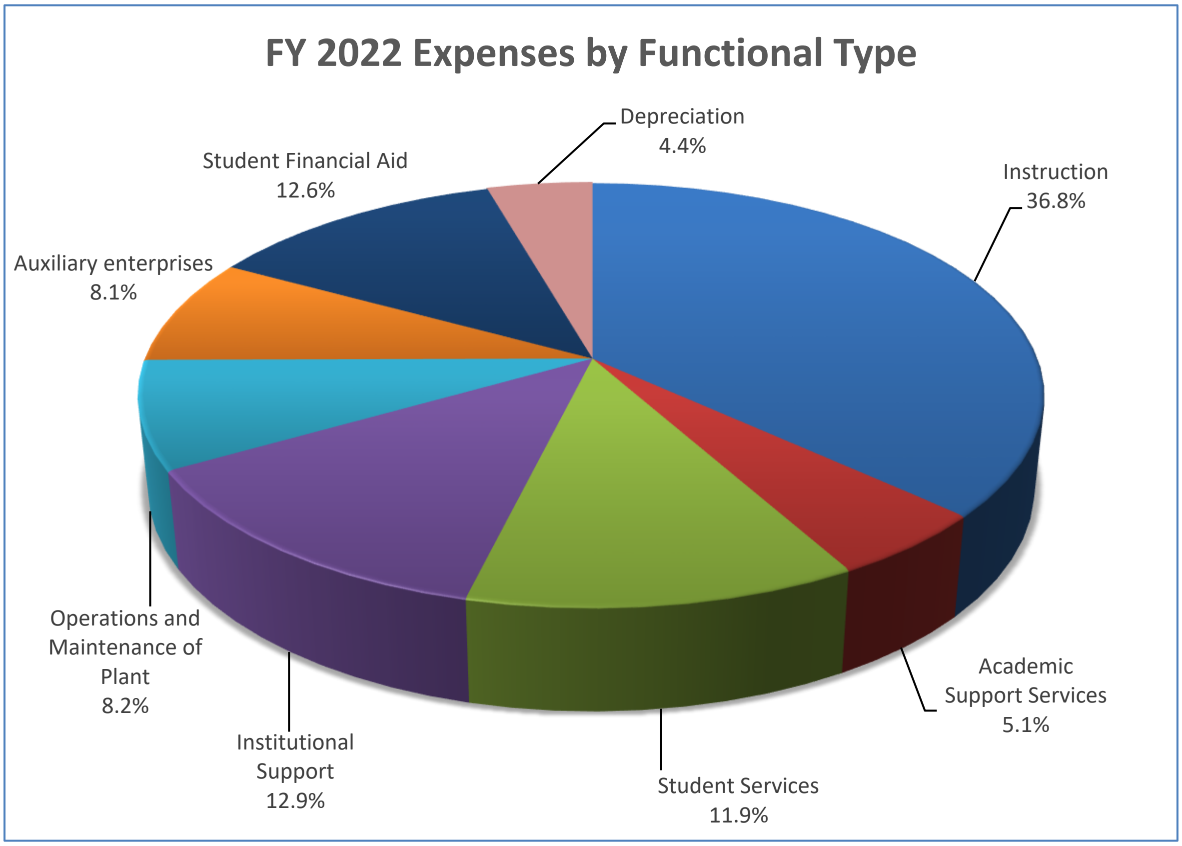
Comparison of Selected Operating Expenses by Function
The chart below shows the amount, in dollars, for selected functional areas of operating expenses for FY 2022 and FY 2021.





Operating Expenses by Function

The chart below shows the percentage of each functional area of operating expenses for FY 2022.



Capital Assets and Long-Term Debt Activities

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

At June 30, 2022, the College had invested $237,868,306 in capital assets, net of accumulated depreciation. This represents a decrease of $4,475,886 from last year, as shown in the table below.

Asset Type	June 30, 2022	June 30, 2021	Change
Land	16,878,494	16,878,494	-
Construction in Progress	1,193,539	308,023	885,517
Buildings, net	210,298,710	215,374,807	(5,076,097)
Other Improvements and Infrastructure, net	6,459,475	7,082,363	(622,888)
Equipment, net	2,902,257	2,525,823	376,434
Library Resources, net	135,831	174,683	(38,852)
Total Capital Assets, Net	237,868,306	242,344,192	(4,475,886)

The decrease in net capital assets can be attributed to the current depreciation expense offset in part by the renovation of the B Building as well as normal replacement and acquisition of equipment and library resources. No significant capital projects were in process on June 30, 2022. Additional information on capital assets can be found in Note 5 of the Notes to the Financial Statements.

At June 30, 2022, the College had $44,720,000 in outstanding debt. This represents a decrease of $3,220,000 from last year, as shown in the table below.

	June 30, 2022	June 20, 2021	Change
Certificates of Participation	44,720,000	47,940,000	(3,220,000)
Total	**$ 44,720,000**	**$ 47,940,000**	**$ (3,220,000)**

Additional information of notes payable, long term debt and debt service schedules can be found in Notes 11, 12, and 13 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

The State Board for Community and Technical Colleges allocates out to each college/district funds received in the state’s budget. The model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Due to a slight decrease in enrollment, it is estimated that the College will likely see a decrease in state operating appropriations in future year.

In fiscal year 2021 we receive a significant increase in funding as a result of the Workforce Education Investment Act (E2SHB 2158). The bill created a new fund, the Workforce Education Investment Account. Appropriations from the account are supported by an increase in the Business and Occupation tax. These funds were allocated to the colleges as directed in the legislation. Most of these appropriations are budgeted to continue in fiscal year 2022. There were no other significant changes to the method of allocating funds to college districts.

The college faces declining or stagnant enrollment numbers for the last 6 quarters while the cost of living allowance for the college employees have been rising. This puts a challenge on sustaining college expenses and budgeting activities in this environment.

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

Forecasts for the US and State economy are pointing to a slowdown in economic activity, with some forecasts going as far to predict a recession in late 2023. This would also have a similar effect on revenue collection by the State of Washington, since the general fund for the state is heavily reliant on sales taxes. Coupled with higher interest rates, inflation increases, and higher costs for energy and petroleum products, overall pressure on consumer finances are increasingly negative over the near-term forecast horizon.

The Washington State Economic and Revenue Forecast Council (ERFC) has yet to release their anticipated November 2022 revenue forecast that will be the preliminary basis for the Governor's 2023-25 biennial budget which will be released in December. At the last monthly update, released in mid-November, the ERFC reported that current fiscal year (FY23) revenues were higher than forecast, but that they had concerns over slowdowns in state general fund revenues with the looming economic forecast for Calendar Year 2023 and 24.

In November 2021 Bellevue College underwent an operating system conversion replacing outdated legacy systems. A complex conversion process has placed additional pressure on processes and efficiency. Expected efficiency gains from this conversion may be one to two years in the future.

Bellevue College
Statement of Net Position
As of June 30, 2022

Assets		
Current assets		
Cash and cash equivalents	$	95,158,798
Restricted cash		969,004
Accounts receivable, net of allowances		21,442,243
Inventories		51,731
Total current assets		117,621,776
Non-Current Assets		
Non-depreciable capital assets		18,072,033
Capital assets, net of depreciation		219,796,273
Net pension asset		15,140,861
Total non-current assets		253,009,167
Total assets		**370,630,942**
Deferred Outflows of Resources		
Deferred outflows related to pensions		7,749,397
Deferred outflows related to OPEB		4,631,407
Total deferred outflows of resources		12,380,804
Liabilities		
Current Liabilities		
Accounts payable		1,393,818
Accrued liabilities		6,978,428
Compensated absences, current portion		2,471,073
Deposits payable		750
Unearned revenue		1,223,634
Certificates of participation payable, current portion		3,370,000
Net pension liability, current portion		138,440
Total OPEB liability, current portion		785,773
Total current liabilities		16,361,916
Non-Current Liabilities		
Compensated absences		4,474,213
Certificates of Participation		47,336,940
Net pension liability, non-current		6,481,027
Total OPEB liability		46,814,333
Total non-current liabilities		105,106,512
Total liabilities		**121,468,428**
Deferred Inflows of Resources		
Deferred inflows related to pensions		21,976,230
Deferred inflows related to OPEB		11,512,566
Total deferred inflows of resources		33,488,796
Net Position		
Net Investment in Capital Assets, net of related debt		187,161,366
Restricted for:		
Expendable		4,470,361
Unrestricted		36,422,795
Total Net Position	**$**	**228,054,522**

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

BELLEVUE COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	June 30, 2022	June 30, 2021
ASSETS		
Cash and cash equivalents	$424,913	$436,285
Marketable securities - Notes 3 and 5	15,360,291	16,903,270
Contributions held in trust by others - Note 4	2,832,354	3,394,748
Collected donations in transit	14,628	6,110
Pledges receivable, net - Notes 1 and 2	60,306	71,926
Prepaid expenses	22,955	18,630
Total assets	$18,715,447	$20,830,969
LIABILITIES		
Accounts payable	$12,089	$3,557
Grants payable - Note 1	201,687	130,409
Total liabilities	213,776	133,966
NET ASSETS		
Without donor restrictions	2,256,198	3,060,629
With donor restrictions	16,245,473	17,636,374
Total net assets	18,501,671	20,697,003
Total liabilities and net assets	$18,715,447	$20,830,969

The accompanying notes are an integral part of these financial statements

Bellevue College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2022

Operating Revenues		
Student tuition and fees, net of scholarship discounts and allowances		$ 38,271,270
Auxiliary enterprise sales		8,684,162
State and local grants and contracts		33,711,106
Federal grants and contracts		2,878,933
Other operating revenues		732,058
	Total operating revenue	84,277,528
Operating Expenses		
Repairs & Maintenance		3,464,846
Printing & Graphics		359,183
Software Licensing		1,333,602
Travel		478,687
Equipment		2,271,944
Other Operating Expenses		2,578,307
Salaries and wages		74,165,645
Benefits		15,383,736
Scholarships and fellowships		20,070,075
Supplies and materials		3,281,730
Depreciation and amortization		7,538,791
Purchased services		5,039,063
Utilities		2,179,651
	Total operating expenses	138,145,259
	Operating income (loss)	(53,867,731)
Non-Operating Revenues (Expenses)		
State appropriations		50,223,434
Federal Pell grant revenue		4,905,469
Federal non-operating revenue		6,939,499
Investment income, gains and losses		171,943
Building fee remittance		(1,665,876)
Innovation fund remittance		(785,429)
Interest on indebtedness		(1,761,088)
	Net non-operating revenue (expenses)	**58,027,952**
Income or (loss) before other revenues, expenses, gains, or losses		4,160,221
Capital Contributions		
Capital appropriations		791,208
	Increase (Decrease) in net position	4,951,430
Net Position		
Net position, beginning of year		$223,103,092
Net position, end of year		$ 228,054,522

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

BELLEVUE COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022
(With comparative totals for the year ended June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Contributions:				
Current gifts	$341,999	$1,449,153	$1,791,152	$1,856,245
Endowments	-	325,834	325,834	366,210
In-kind contributions - Note 6	166,939	49,255	216,194	235,144
Earned income:				
Investment earnings (loss) - Note 3	(730,800)	(1,143,430)	(1,874,230)	3,982,051
Joint College activities	-	51,020	51,020	51,950
Custodial management fee	99,272	-	99,272	111,680
External trust earnings (loss) - Notes 4 and 5	-	(470,689)	(470,689)	790,122
Earned event revenue	-	28,115	28,115	15,128
Total support and revenue	(122,590)	289,258	166,668	7,408,530
Net assets released from restrictions - Note 7	1,680,159	(1,680,159)	-	-
Total	1,557,569	(1,390,901)	166,668	7,408,530
Expenses:				
Program:	1,275,905	-	1,275,905	1,001,707
General and administrative:	588,769	-	588,769	622,415
Fundraising:	497,326	-	497,326	405,485
Total expenses	2,362,000	-	2,362,000	2,029,607
Increase (decrease) in net assets	(804,431)	(1,390,901)	(2,195,332)	5,378,923
Net assets at beginning of year	3,060,629	17,636,374	20,697,003	15,318,080
Net assets at end of year	$2,256,198	$16,245,473	$18,501,671	$20,697,003

The accompanying notes are an integral part of these financial statements

Bellevue College
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities	
Student tuition and fees	$ 33,648,180
Grants and contracts	31,478,918
Payments to vendors	(5,937,760)
Payments for utilities	(2,144,297)
Payments to employees	(76,679,123)
Payments for benefits	(20,095,662)
Auxiliary enterprise sales	7,274,619
Payments for scholarships and fellowships	(20,070,075)
Other receipts	14,931,026
Other payments	(10,488,318)
Net cash used by operating activities	(48,082,494)
Cash flows from noncapital financing activities	
State appropriations	46,734,328
Pell grants	4,905,469
Other Federal non-operating reveue	6,939,499
Building fee remittance	(1,526,046)
Innovation fund remittance	(733,781)
Net cash provided by noncapital financing activities	56,319,469
Cash flows from capital and related financing activities	
Capital appropriations	3,012,834
Purchases of capital assets	(3,062,905)
Principal paid on capital debt	(3,220,000)
Interest paid	(2,358,350)
Net cash used by capital and related financing activities	(5,628,421)
Cash flows from investing activities	
Income of investments	171,943
Net cash provided by investing activities	171,943
Increase in cash and cash equivalents	2,780,497
Cash and cash equivalents at the beginning of the year	93,347,304
Cash and cash equivalents at the end of the year	96,127,801

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	(53,867,731)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	7,538,791
Changes in assets and liabilities	
Receivables, net	8,313,535
Inventories	259,295
Accounts payable	(575,689)
Accrued liabilities	3,122,996
Unearned revenue	(5,258,321)
Compensated absences	(2,054,128)
Pension liability adjustment	(5,559,492)
Deposits payable	(1,750)
Net cash used by operating activities	$ (48,082,494)

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

BELLEVUE COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Increase (decrease) in net assets	($2,195,332)	$5,378,923
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Decrease in allowance on pledges receivable	(1,060)	(13,440)
Increase (decrease) in discount on pledges receivable	798	(3,703)
Realized (gain) loss on sale of marketable securities, net	(70,377)	(282,338)
Unrealized loss (gain) on marketable securities	2,599,552	(3,449,056)
Changes in operating assets and liabilities		
Contributions held in trust by others	562,394	(704,179)
Collected donations in transit	(8,518)	(2,449)
Pledges receivable	11,882	87,261
Prepaid expenses	(4,325)	(8,452)
Accounts and grants payable	79,810	(16,520)
Net cash provided by operating activities	974,824	986,047
Cash flows from investing activities:		
Proceeds from sale or maturity of marketable securities	644,771	2,462,411
Purchases of marketable securities	(1,630,967)	(3,363,745)
Net cash used in investing activities	(986,196)	(901,334)
Net increase (decrease) in cash and cash equivalents	(11,372)	84,713
Cash and cash equivalents		
Beginning of year	436,285	351,572
End of year	$424,913	$436,285

The accompanying notes are an integral part of these financial statements

Bellevue College
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	Custodial Funds
ASSETS	
Cash and cash equivalents	62,808
Total Assets	62,808
LIABILITIES	
Accounts payable and other liabilities	-
Total Liabilities	-
NET POSITION	
Restricted for	
Held for Individuals, organizations and other governments	62,808
Total Net Position	62,808

The accompanying notes are an integral part of these financial statements

Bellevue College
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2022

	Custodial Funds
ADDITIONS	
Other Custodial Collections	13,750
Total Additions	13,750
DEDUCTIONS	
Disbursements to vendors and suppliers	15,855
Total Deductions	15,855
Change in net position held for individuals, organizations and other	(2,105)
NET POSITION	
Restricted Net position - beginning	64,913
Prior Period Adjustment	
Change in accounting principle	
Restricted Net position - ending	62,808

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

June 30, 2022
These notes form an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity
Bellevue College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers applied baccalaureate and associates degrees, certificates and high school diplomas. It is governed by a six-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 Annual Comprehensive Financial Report. These notes form an integral part of the financial statements.

The Bellevue College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1978 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to aid and assist in the development, maintenance, promotion, growth and preservation of Community College District VIII, and to provide or grant scholarships and assistance to men and women of promise. KBCS 91.3 is an operating unit of Bellevue College and is supported by memberships and gifts. 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, 2022, the Foundation distributed approximately $1,275,905 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 425-564-2386.

Basis of Presentation
The financial statements have been prepared in accordance with GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments as amended by GASB Statement No. 35, Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities. For financial reporting purposes, the College is considered a special-purpose government engaged only in

Business Type Activities (BTA). In accordance with BTA reporting, the College presents a Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements. The format provides a comprehensive, entity-wide perspective of the college's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting

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

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

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College records all cash and cash equivalents at fair value. Investments in the state's LGIP, a qualified external investment pool, are reported 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, certificates of deposit, U.S. Treasuries and U.S. Agency securities.

Accounts Receivable

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

Inventories
Inventories, consisting primarily of merchandise for resale in the college bookstore and course-related supplies, are valued at cost using the FIFO 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. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as defined by the State of Washington’s Office of Financial Management. Useful lives are generally 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

The college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2022, 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 summer quarter tuition and fees, housing deposits and advanced grant proceeds as unearned revenues.

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

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

The College also reports its share of the net pension liability for the State Board Retirement Plan in accordance with GASB 68 Accounting and Financial Reporting for Pensions and Related Assets.

OPEB Liability

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

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

Net Position

The College's net position is classified as follows.

- Net Investment in Capital Assets. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

- Restricted for Nonexpendable. This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principle. The college is not reporting any balance 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.

- 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) federal, state and local grants and contracts that primarily support the operational/educational activities of the colleges. Examples include a contract with OSPI to offer Running Start and/or Technical High School. The college also receives Adult Basic Education grants that support the primary educational mission of the college.

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

Non-operating Revenues. This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government. In FY 2022, 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, 2022 are $4,386,901.

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

Building and Innovation Fee Remittance
Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted monthly and no later than the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

Note 2 - Deposits and Investments

Deposits
Cash and cash equivalents include bank demand deposits, petty cash held at the College and unit shares in the Washington State Treasurer's Local Government Investment Pool (LGIP). 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.

Investments in Local Government Investment Pool (LGIP)
The College is a participant in the Local Government Investment Pool as authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov.

As of June 30, 2022, the carrying amount of the College's cash and equivalents was $96,127,801 as represented in the table below.

Cash and Cash Equivalents		**June 30, 2022**
Petty Cash and Change Funds	$	10,636
Bank Demand and Time Deposits		70,952,359
Local Government Investment Pool		25,164,807
Total Cash and Cash Equivalents	**$**	**96,127,801**

Custodial Credit Risks—Deposits

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

Investments

Investments normally consist of investments in equities and bond funds. Investments in equities are subject to loss of all 100% of the balance of investments.

Interest Rate Risk—Investments

The College manages its exposure to interest rate changes by limiting the duration of investments to mature at various points in the year. To minimize the risk that historically low rates would rise, the college generally keeps the average maturity of investments below 2 years. The College will periodically review the level of interest rates to determine whether longer maturities become less risky. The College has not invested in maturities longer than 5 years in recent years, to minimize interest rate risk. During FY 2021, interest rates were again at a historically low level. The College maintained all investments in LGIP during FY 2022.

Concentration of Credit Risk—Investments

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

Note 3 - 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, 2022, accounts receivable were as follows:

Accounts Receivable		**Amount**
Student Tuition and Fees	$	359,150
Due from the Federal Government		623,343
Due from Other State Agencies		716,964
Auxiliary Enterprises		1,123,293
Other		18,656,048
Subtotal		21,478,798
Less Allowance for Uncollectible Accounts		(36,555)
Accounts Receivable, net	**$**	**21,442,243**

Note 4 – Inventories

Inventories as of June 30, 2022, were as follows:

Inventories	**Method**		**Amount**
Consumable Inventories	FIFO	$	30,206
Merchandise Inventories	FIFO		21,525
Inventories		**$**	**51,731**

Note 5 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2022 is presented as follows. The current year depreciation expense was $7,538,791.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	$ 16,878,494	$ -	$ -	$ 16,878,494
Construction in progress	308,023	885,517	-	1,193,539
Total capital assets, non-depreciable	17,186,516	885,517	-	18,072,033
Capital assets, depreciable				
Buildings	293,356,241	1,187,312	-	294,543,553
Other improvements and infrastructure	15,499,891	-	-	15,499,891
Equipment	15,435,889	975,541	-	16,411,430
Library resources	941,275	14,535	-	955,810
Total capital assets, depreciable	325,233,296	2,177,389	-	327,410,684
Less accumulated depreciation				
Buildings	77,981,434	6,263,409	-	84,244,843
Other improvements and infrastructure	8,417,529	622,888	-	9,040,416
Equipment	12,910,066	599,107	-	13,509,174
Library resources	766,592	53,387	-	819,979
Total accumulated depreciation	100,075,621	7,538,791	-	107,614,412
Total capital assets, depreciable, net	225,157,675	(5,361,402)	-	219,796,273
Capital assets, net	**$242,344,192**	**$ (4,475,886)**	**$ -**	**$237,868,306**

Note 6 - Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2022, were as follows:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 3,298,578
Accounts Payable	1,393,818
Amounts Held for Others and Retainage	3,679,850
Total	**$ 8,372,246**

Note 7 - Unearned Revenue

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

Unearned Revenue	Amount
Summer & Fall Quarter Tuition & Fees	$ (1,181,171)
Housing and Other Deposits	(42,462)
Total Unearned Revenue	$ (1,223,634)

Note 8 - Risk Management

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

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

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2021 through June 30, 2022, were $254,238. Cash reserves for unemployment compensation for all employees at June 30, 2022, were $15,150.

Note 9 - Compensated Absences

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

An estimated amount, based on a three-year average payout, is accrued as a current liability. The remaining amount of accrued annual and sick leave are categorized as non-current liabilities. Compensatory time totaling $23 at June 30, 2022, is categorized as a current liability since it must be used before other leave. The current portion of accrued vacation leave totaled $1,360,369 and the non-current portion of accrued vacation leave totaled $2,611,153 at June 30, 2022. The current portion of accrued sick leave totaled $1,110,682 and the non-current portion of accrued sick leave totaled $1,863,059 at June 30, 2022.

Note 10 - Notes Payable

In December 2003, the College obtained financing in order to construct the Parking Garage through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $16,120,000. Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 2003. The college refinanced the Parking Garage COP in 2013 in the amount of $8,255,000 with an 11 year term and 1.83% interest rate. 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.

In February of 2017, the College obtained financing in order to construct a Student Housing Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $42,755,000. Students who choose to live in the student housing building will be charged a quarterly fee. The interest rate charged is approximately 3.48%.

In February of 2019, the College obtained financing in order to construct a Student Success Center Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $8,715,000. College operating funds will be used to repay the COP. The interest rate charged is approximately 2.23%.

The College's debt service requirements for this (these) note agreement(s) for the next five years and thereafter are as follows in Note 12.

Note 11 - Annual Debt Service Requirements

Future debt service requirements at June 30, 2022 are as follows:

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2023	$ 3,370,000	$ 2,206,000	$ 5,576,000
2024	2,490,000	2,046,500	4,536,500
2025	2,620,000	1,920,875	4,540,875
2026	2,750,000	1,788,750	4,538,750
2027	2,885,000	1,650,125	4,535,125
2028-2032	13,190,000	6,176,750	19,366,750
2033-2037	14,150,000	3,007,500	17,157,500
2038-2042	3,265,000	163,250	3,428,250
2043-2047	-	-	-
Total	**$ 44,720,000**	**$ 18,959,750**	**$ 63,679,750**

Note 12 - Schedule of Long-Term Liabilities

	Balance outstanding 6/30/21	Additions	Reductions	Balance outstanding 6/30/22	Current portion
Certificates of Participation - PAR	$ 47,940,000	$ -	$ 3,220,000	$ 44,720,000	$ 3,370,000
Certificates of Participation - Unamort Disc/Prem	6,584,201	-	597,262	5,986,940	-
Compensation absences	8,998,550	5,761,077	7,814,365	6,945,263	2,471,073
Net pension liability	9,825,765	11,035,896	14,242,194	6,619,468	138,440
OPEB liability	44,944,174	17,584,662	14,928,431	47,600,105	785,773

Note 13 - Retirement Plans

A. General

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

Basis of Accounting

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

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the College, for fiscal year 2022:

Aggregate Pension Amounts - All Plans

Total Pension Assets	$	15,140,861
Total Pension Liabilities	$	1,603,165
Net Pension Liabilities	$	5,016,303
Deferred outflows of resources related to pensions	$	7,749,397
Deferred inflows of resources related to pensions	$	21,976,230
Pension Expense	$	(3,898,429)

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.

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

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

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

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

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

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

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

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

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

TRS

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

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

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

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

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

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

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

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

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

Contributions

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

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

The employer contribution rates (expressed as a percentage of covered payroll) and actual contributions for the year ended June 30, 2022 were as follows:

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rates at close of FY22	10.25%	10.25%	14.42%	14.42%
Actual Contributions	770,131	1,271,609	124,626	157,920

* 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, 2020, with the results rolled forward to the June 30, 2021, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the *2013-2018 Demographic Experience Study Report* and the *2019 Economic Experience Study.* Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

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

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

- Expected annual return.
- Standard deviation of the annual return.

- Correlations between the annual returns of each asset class with every other asset class.

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, 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. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

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

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 2,448,492	$ 1,433,393	$ 555,404
PERS 2/3	(4,123,821)	(14,480,319)	(23,000,317)
TRS 1	330,069	169,772	34,437
TRS 2/3	114,776	(660,542)	(1,288,756)

Pension Liabilities/(Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities/(Assets). At June 30, 2022, the College reported a total pension liability (asset) of ($13,537,696) for its proportionate share of the net pension liabilities/(assets) as follows:

	Liability/(Asset)
PERS 1	$ 1,433,393
PERS 2/3	(14,480,319)
TRS 1	169,772
TRS 2/3	(660,542)

The College's proportionate share of pension liabilities/(assets) for fiscal years ending June 30, 2020 and June 30, 2021 for each retirement plan are listed below:

	2021	2020	Change
PERS 1	0.11769%	0.11833%	0.00064%
PERS 2/3	0.14531%	0.15372%	0.00841%
TRS 1	0.02558%	0.02601%	0.00043%
TRS 2/3	0.02395%	0.02261%	-0.00134%

The College's proportion of the net pension liability/(asset) 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, 2022 the College recognized pension expense as follows:

	Pension Expense
PERS 1	$ (285,976)
PERS 2/3	(3,259,646)
TRS 1	(58,817)
TRS 2/3	(78,762)
TOTAL	(3,683,202)

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, 2022:

	PERS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	1,594,903
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	770,131	-
Totals	**$ 770,131**	**$ 1,594,903**

	PERS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	703,060	177,457
Difference between expected and actual earnings of pension plan investments	-	12,098,217
Changes of assumptions	21,153	1,028,008
Changes in College's proportionate share of pension liabilities	267,942	210,571
Contributions subsequent to the measurement date	1,271,609	-
Totals	**$ 2,263,764**	**$ 13,514,253**

	TRS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	258,165
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	124,626	-
Totals	**$ 124,626**	**$ 258,165**

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	204,484	5,327
Difference between expected and actual earnings of pension plan investments	-	767,382
Changes of assumptions	40,942	34,589
Changes in College's proportionate share of pension liabilities	23,581	8,646
Contributions subsequent to the measurement date	157,920	-
Totals	**$ 426,928**	**$ 815,944**

The $2,324,286 of deferred outflows related to 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, 2023.

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
2023	(422,490)	(3,291,821)	(68,414)	(171,043)
2024	(387,154)	(3,074,456)	(62,602)	(158,214)
2025	(366,070)	(2,917,749)	(59,246)	(147,711)
2026	(419,188)	(3,182,551)	(67,904)	(169,763)
2027	-	(48,541)	-	29,010
Thereafter	-	(6,978)	-	70,786
Total	**$ (1,594,903)**	**$ (12,522,097)**	**$ (258,165)**	**$ (546,936)**

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

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

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

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

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

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

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

<u>Actuarial Assumptions.</u> The total pension liability was determined by an actuarial valuation as of June 30, 2021, with the results rolled forward to the June 30, 2022, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligations 20-Bond Municipal Bond Index, or 7.4 percent for the June 30, 2022, measurement date.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2022 were each $4,016,885.

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

Pension expense for the fiscal year ending June 30, 2022 was ($215,227).

Plan Membership. Membership in the State Board Supplemental Retirement Plan consisted of the following as of June 30, 2021, the most recent actuarial valuation date:

	Number of Participating Members			
Plan	**Inactive Members or Beneficiaries Currently Receiving Benefits**	**Inactive Members Entitled to But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
SRP	0	11	311	322

Net Pension Liability/(Asset). The following table presents the change in net pension liability/(asset) of the State Board Supplemental Retirement Plan as of June 30, 2022:

Schedule of Development of Net Pension Liability	
Bellevue College	
(Dollars in Thousands)	**2022**
Total Pension Liability	
Service Cost	109,978
Interest	370,510
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience[1]	1,637,339
Changes in Assumptions[1]	531,865
Benefit Payments	(220,029)
Change in Proportionate Share of NPL	(70,358)
Other	(70,358)
Net Change in Total Pension Liability	2,359,305
Total Pension Liability - Beginning	5,138,263
Total Pension Liability - Ending (a)	**7,497,568**
Plan Fiduciary Net Position	
Contributions - Employer	60,791
Contributions - Member	-
Net Investment Income	3,795
Benefit Payments	-
Administrative Expense	-
Other	-
Net Change in Plan Fiduciary Net Position	64,586
Plan Fiduciary Net Position-Beginning	2,416,680
Plan Fiducairy Net Position-Ending (b)	**2,481,266**
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)	**5,016,302**
Covered-Employee Payroll	**47,024,427**
Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	10.67%

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

1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
$ 5,831,469	$ 5,016,303	$ 4,317,172

Deferred Outflows and Inflows of Resources Related to Pensions.

At June 30, 2022, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 1,954,502	$ 2,236,782
Changes of Assumptions	1,771,765	$ 3,008,745
Changes in College's proportionate share of pension liability	299,604	$ 264,793
Differences Between Projected and Actual Earnings on Plan Investments	138,075	282,645
Total	**$ 4,163,945**	**$ 5,792,965**

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

State Board Supplemental Retirement Plan	
2023	(519,400)
2024	(399,132)
2025	(218,657)
2026	(166,979)
2027	(557,538)
Thereafter	232,688

Note 14 - Other Post-Employment Benefits

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

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

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

Employees Covered by Benefit Terms. The PEBB 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 systems. Membership in the PEBB plan for the College consisted of the following:

Summary of Plan Participants
As of June 30, 2021

Active Employees*	967
Retirees Receiving Benefits**	294
Retirees Not Receiving Benefits***	44
Total Active Employees and Retirees	1,305

*Reflects active employees eligible for PEBB program participation as of June 30, 2021.
**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.

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.

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 2022 the explicit subsidy was $183 per member per month and it will remain $183 per member per month in calendar year 2023.

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

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

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

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

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

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

Total OPEB Liability

As of June 30, 2022, the state reported a total OPEB liability of $6.472 billion. The College's proportionate share of the total OPEB liability is $47,600,105. This liability was determined based on a measurement date of June 30, 2021.

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

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

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

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

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

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

Actuarial Valuation Date	6/30/2020
Actuarial Measurement Date	6/30/2021
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 2.21 percent for the June 30, 2020 measurement date and 2.16 percent for the June 30, 2021 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, 2022, 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:

	Bellevue College	
Proportionate Share (%)		**0.7355145143%**
Service Cost	$	2,379,102
Interest Cost		1,028,233
Differences Between Expected and Actual Experienc		-
Changes in Assumptions		439,316
Changes of Benefit Terms		-
Benefit Payments		(783,371)
Changes in Proportionate Share		(407,348)
Other		-
Net Change in Total OPEB Liability		2,655,932
Total OPEB Liability - Beginning		44,944,175
Total OPEB Liability - Ending	**$**	**47,600,107**

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of the College, calculated using the discount rate of 2.16 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

Discount Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 57,670,906	$ 47,600,107	$ 39,770,135

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

Health Care Cost Trend Rate Sensitivity		
1% Decrease	Current health care cost trend rate	1% Increase
$ 38,402,627	$ 47,600,107	$ 60,029,004

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

For the year ending June 30, 2022, the College will recognize OPEB expense of $1,729,814 OPEB expense consists of the following elements:

Bellevue College	
Proportionate Share (%)	**0.7355145143%**
Service Cost	$ 2,379,102
Interest Cost	1,028,233
Amortization of Differences Between Expected and Actual Experience	136,521
Amortization of Changes in Assumptions	(1,403,117)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(410,925)
Other Changes to Net Position	-
Total OPEB Expense	**$ 1,729,814**

As of June 30, 2022, the deferred inflows and deferred outflows of resources for the College are as follows:

Bellevue College		
Proportionate Share (%)	**0.7355145143%**	
Deferred Outflows/Inflows of Resources	**Deferred Outflows**	**Deferred Inflows**
Difference between expected and actual experience	$ 814,222	$ 184,264
Changes in assumptions	3,031,413	8,630,111
Transactions subsequent to the measurement date	785,773	-
Changes in proportion	-	2,698,189
Total Deferred Outflows/Inflows	**$ 4,631,408**	**$ 11,512,564**

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, 2022. 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 (%)		**0.7355145143%**
2023	$	(1,677,520)
2024	$	(1,677,520)
2025	$	(1,677,520)
2026	$	(1,677,520)
2027	$	(907,713)
Thereafter	$	(49,136)

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 (%) 2020		**0.7422417697%**
Proportionate Share (%) 2021		**0.7355145143%**
Total OPEB Liability - Ending 2020	$	44,944,175
Total OPEB Liability - Beginning 2021		44,536,827
Total OPEB Liability Change in Proportion		(407,348)
Total Deferred Inflows/Outflows - 2020		(5,945,164)
Total Deferred Inflows/Outflows - 2021		(5,891,281)
Total Deferred Inflows/Outflows Change in Proportion		53,883
Total Change in Proportion	**$**	**(461,231)**

Note 15 - Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2022.

Expenses by Functional Classification		
Instruction	$	50,572,633
Academic Support Services		6,936,557
Student Services		16,322,878
Institutional Support		17,686,076
Operations and Maintenance of Plant		12,183,659
Scholarships and Other Student Financial Aid		17,263,345
Auxiliary enterprises		11,119,254
Depreciation		6,060,857
Total operating expenses	**$**	**138,145,259**

Note 16 - Commitments and Contingencies

The College has commitments of $14,220,751 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

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

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Bellevue College's Proportionate Share of the Net Pension Liability

Schedule of Bellevue College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.118325%	$ 5,960,677	$ 12,971,801	45.95%	61.19%
2015	0.120550%	$ 6,305,886	$ 13,873,237	45.45%	59.10%
2016	0.113159%	$ 6,077,171	$ 13,445,510	45.20%	57.03%
2017	0.108986%	$ 5,171,463	$ 13,532,772	38.21%	61.24%
2018	0.115580%	$ 5,161,842	$ 15,389,151	33.54%	63.22%
2019	0.116766%	$ 4,486,178	$ 16,413,847	27.33%	67.12%
2020	0.118332%	$ 4,173,870	$ 17,917,126	23.30%	68.64%
2021	0.117691%	$ 1,433,393	$ 17,738,504	8.08%	88.74%
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Bellevue College's Proportionate Share of the Net Pension Liability

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
Schedule of Bellevue College's Share of the Net Pension Liability					
Public Employees' Retirement System (PERS) Plan 2/3					
Measurement Date of June 30					
2014	0.150600%	$ 3,044,474	$ 12,905,136	23.59%	93.29%
2015	0.155700%	$ 5,562,929	$ 13,873,237	40.10%	89.20%
2016	0.144939%	$ 7,297,581	$ 13,445,510	54.28%	85.82%
2017	0.139418%	$ 4,844,109	$ 13,532,772	35.80%	90.97%
2018	0.148151%	$ 2,529,546	$ 15,380,516	16.45%	95.77%
2019	0.150244%	$ 1,454,673	$ 16,390,762	8.87%	97.77%
2020	0.153722%	$ 1,961,311	$ 17,901,551	10.96%	97.22%
2021	0.145314%	$ (14,480,319)	$ 17,461,690	-82.93%	120.29%
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Bellevue College’s Proportionate Share of the Net Pension Liability

Schedule of Bellevue College's Share of the Net Pension Liability Teachers’ Retirement System (TRS) Plan 1 Measurement Date of June 30								
Fiscal Year	College’s proportion of the net pension liability		College proportionate share of the net pension liability		College covered payroll	College’s proportionate share of the net pension liability as a percentage of its covered payroll	Plan’s fiduciary net position as a percentage of the total pension liability
2014	0.019440%	$	573,374	$	711,902	80.54%	68.77%
2015	0.023140%	$	732,981	$	963,352	76.09%	65.70%
2016	0.027345%	$	933,634	$	1,200,864	77.75%	62.07%
2017	0.026001%	$	786,080	$	1,340,742	58.63%	65.58%
2018	0.026630%	$	777,754	$	1,392,931	55.84%	66.52%
2019	0.024980%	$	616,024	$	1,586,012	38.84%	70.37%
2020	0.026011%	$	624,118	$	1,761,464	35.43%	70.55%
2021	0.025576%	$	169,772	$	1,846,864	9.19%	91.42%
2022							
2023							

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

Cost Sharing Employer Plans

Schedules of Bellevue College's Proportionate Share of the Net Pension Liability

Schedule of Bellevue College's Share of the Net Pension Liability

Teachers' Retirement System (TRS) Plan 2/3

Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.013797%	$ 44,563	$ 583,151	7.64%	96.81%
2015	0.017530%	$ 147,918	$ 818,639	18.07%	92.48%
2016	0.021070%	$ 289,361	$ 1,040,358	27.81%	88.72%
2017	0.022429%	$ 207,007	$ 1,229,760	16.83%	93.14%
2018	0.023044%	$ 103,724	$ 1,283,434	8.08%	96.88%
2019	0.021521%	$ 127,331	$ 1,466,547	8.68%	96.36%
2020	0.022606%	$ 344,883	$ 1,631,413	21.14%	91.72%
2021	0.023945%	$ (660,542)	$ 1,787,184	-36.96%	113.72%
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions for Bellevue College

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	$ 523,746	$ 523,746	$ -	$ 12,971,801	4.04%
2015	$ 554,045	$ 554,045	$ -	$ 13,873,237	3.99%
2016	$ 641,719	$ 641,719	$ -	$ 13,445,510	4.77%
2017	$ 655,578	$ 655,578	$ -	$ 13,532,772	4.84%
2018	$ 774,706	$ 774,706	$ -	$ 15,389,151	5.03%
2019	$ 841,149	$ 841,149	$ -	$ 16,413,847	5.12%
2020	$ 854,101	$ 854,101	$ -	$ 17,917,126	4.77%
2021	$ 882,857	$ 882,857	$ -	$ 17,738,504	4.98%
2022	$ 770,131	$ 770,131	$ -	$ 20,276,945	3.80%
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions for Bellevue College
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	$ 636,258	$ 636,258	$ -	$ 12,905,136	4.93%
2015	$ 693,530	$ 693,530	$ -	$ 13,873,237	5.00%
2016	$ 836,722	$ 836,722	$ -	$ 13,445,510	6.22%
2017	$ 851,548	$ 851,548	$ -	$ 13,532,772	6.29%
2018	$ 1,151,914	$ 1,151,914	$ -	$ 15,380,516	7.49%
2019	$ 1,231,803	$ 1,231,803	$ -	$ 16,390,762	7.52%
2020	$ 1,417,788	$ 1,417,788	$ -	$ 17,901,551	7.92%
2021	$ 1,382,931	$ 1,382,931	$ -	$ 17,461,690	7.92%
2022	$ 1,271,609	$ 1,271,609	$ -	$ 19,995,151	6.36%
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions for Bellevue College 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	$ 38,444	$ 38,444	$ -	$ 711,902	5.40%
2015	$ 51,773	$ 51,773	$ -	$ 963,352	5.37%
2016	$ 66,911	$ 66,911	$ -	$ 1,200,864	5.57%
2017	$ 90,987	$ 90,987	$ -	$ 1,340,742	6.79%
2018	$ 110,754	$ 110,754	$ -	$ 1,437,740	7.70%
2019	$ 126,488	$ 126,488	$ -	$ 1,586,012	7.98%
2020	$ 137,315	$ 137,315	$ -	$ 1,761,464	7.80%
2021	$ 141,394	$ 141,394	$ -	$ 1,846,864	7.66%
2022	$ 124,626	$ 124,626	$ -	$ 1,970,413	6.32%
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions for Bellevue College 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	$ 33,853	$ 33,853	$ -	$ 583,151	5.81%
2015	$ 46,585	$ 46,585	$ -	$ 818,639	5.69%
2016	$ 84,971	$ 84,971	$ -	$ 1,040,358	8.17%
2017	$ 82,640	$ 82,640	$ -	$ 1,229,760	6.72%
2018	$ 102,448	$ 102,448	$ -	$ 1,327,038	7.72%
2019	$ 114,828	$ 114,828	$ -	$ 1,466,547	7.83%
2020	$ 132,608	$ 132,608	$ -	$ 1,631,413	8.13%
2021	$ 145,653	$ 145,653	$ -	$ 1,787,184	8.15%
2022	$ 157,920	$ 157,920	$ -	$ 1,959,885	8.06%
2023					

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

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Net Pension Liability and Related Ratios
Bellevue College
Fiscal Year Ended June 30, 2022
(expressed in thousands)

	2017	2018	2019	2020	2021	2022
Total Pension Liability						
Service Cost	$ 394,449	$ 270,149	$ 209,042	$ 258,306	$ 350,002	$ 109,978
Interest	255,879	248,266	252,857	290,564	248,942	370,510
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(1,844,890)	(734,210)	476,727	612,224	(2,246,024)	1,637,339
Changes of assumptions	(435,445)	(248,407)	896,381	1,635,844	(4,053,645)	531,865
Benefit Payments	(65,681)	(91,767)	(133,306)	(131,146)	(149,230)	(220,029)
Change in Proportionate Share	-	-	237,185	16,074	213,868	(70,358)
Other	-	-	-	-	27	-
Net Change in Total Pension Liability	**(1,695,688)**	**(555,969)**	**1,938,886**	**2,681,866**	**$(5,636,060)**	**$ 2,359,305**
Total Pension Liability - Beginning	8,616,940	6,709,540	6,153,571	8,092,457	10,774,323	5,138,263
Total Pension Liability - Ending (a)	**$ 6,921,252**	**$ 6,153,571**	**$ 8,092,457**	**$10,774,323**	**$ 5,138,263**	**$ 7,497,568**
Plan Fiduciary Net Position**						
Contributions-Employer	n/a	n/a	n/a	n/a	$ 49,144	$ 60,791
Contributions - Member	n/a	n/a	n/a	n/a	-	-
Net Investment Income	n/a	n/a	n/a	n/a	615,126	3,795
Benefit Payments	n/a	n/a	n/a	n/a	-	-
Administrative Expense	n/a	n/a	n/a	n/a	-	-
Other	n/a	n/a	n/a	n/a	(74)	-
Net Change in Plan Fiduciary Net Position					**$ 664,196**	**$ 64,586**
Plan Fiduciary Net Position-Beginning					1,752,484	2,416,680
Plan Fiducairy Net Position-Ending (b)					**$ 2,416,680**	**$ 2,481,266**
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)					**$ 2,721,583**	**$ 5,016,302**
Fiduciary net position as a % of total pension liability (b)/(a)	**7.281696%**	**7.059033%**	**7.331118%**	**7.345680%**	**7.491490%**	**7.297821%**
Covered Payroll	**39,650,714**	**40,131,029**	**42,683,458**	**45,474,306**	**47,620,296**	**$47,019,751**
Net pension Liability as a % of covered payroll	**17.455554%**	**15.333698%**	**18.959235%**	**23.693210%**	**10.790225%**	**10.668499%**

Schedule of Employer Contributions
State Board Supplemental Retirement Plan
Bellevue College
Fiscal Year Ended June 30, 2022

	2021	2022
Statutorily determined contributions	$ 61,906	$ 61,126
Actual contributions in relation to the above	54,569	$ 60,211
Contribution deficiency (excess)	$ (7,337)	$ (915)
Covered Payroll	$ 47,620,296	47,019,751
Contribution as a % of covered payroll	0.11%	0.13%

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

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

The Schedule of Employer Contributions contains actual amounts, while the notes report contributions as a proportionate share of plan total contributions.

Other Postemployment Benefits Information

Schedule of Changes in Total OPEB Liability and Related Ratios for Bellevue College
Measurement Date of June 30*

Total OPEB Liability	**2022**	**2021**	**2020**	**2019**	**2018**
Service cost	$ 2,379,102	$ 1,865,049	$ 1,809,536	$ 2,485,937	$ 3,101,919
Interest cost	1,028,233	1,560,143	1,569,669	1,709,068	1,452,958
Difference between expected and actual experience	-	(239,077)	-	1,560,047	-
Changes in assumptions	439,316	1,011,320	2,923,138	(10,883,067)	(7,087,553)
Changes in benefit terms	-	-	-	-	-
Benefit payments	(783,371)	(742,808)	(718,029)	(721,825)	(740,450)
Changes in proportionate share	(407,348)	(1,611,647)	(655,281)	(144,008)	(295,195)
Other	-	(1,589,120)	-	-	-
Net Changes in Total OPEB Liability	$ 2,655,932	$ 253,860	$ 4,929,033	$ (5,993,848)	$ (3,568,321)
Total OPEB Liability - Beginning	$ 44,944,175	$ 44,690,315	$ 39,761,282	$ 45,755,130	$ 49,323,451
Total OPEB Liability - Ending	$ 47,600,107	$ 44,944,175	$ 44,690,315	$ 39,761,282	$ 45,755,130
College's proportion of the Total OPEB Liability (%)	0.73551451%	0.74224177%	0.77001029%	0.78291298%	0.78538487%
Covered-employee payroll	$ 69,208,463	$ 67,395,947	$ 65,836,590	$ 61,391,689	$ 51,727,510
Total OPEB Liability as a percentage of covered-employee payroll	68.777870%	66.686761%	67.880663%	64.766553%	88.454148%

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

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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