Whatcom
COMMUNITY COLLEGE

Annual Financial Report
For the year ending June 30, 2019

WHATCOM COMMUNITY COLLEGE
2019 Financial Report

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Trustees and Administrative Officers

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 9, 2020

Board of Trustees
Whatcom Community College
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Whatcom Community College, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Our report includes a reference to other auditors who audited the financial statements of the Whatcom Community College Foundation (the Foundation), as described in our report on the College's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Foundation were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation. The Foundation's prior year comparative information has been derived from the Foundation's 2018 basic financial statements, on which other auditors issued their report dated October 18, 2018.

The financial statements of Whatcom Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 21 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the College. Management's plans in response to this matter are also described in Note 21.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Whatcom Community College, as of June 30, 2019, 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. The financial statements of the Foundation were not audited in accordance with Government Auditing Standards.

Matters of Emphasis

As discussed in Note 1, the financial statements of Whatcom Community College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 21 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the College. Management's plans in response to this matter are also described in Note 21. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements as a whole. The combining financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 9, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Whatcom Community College

The following discussion and analysis provides an overview of the financial position and activities of Whatcom Community College (the College) for the fiscal year ended June 30, 2019. This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity

Whatcom Community College, one of thirty public community and technical college (CTC) districts in the state of Washington, is an accredited, comprehensive two-year college. The College offers transfer degrees, an applied bachelor's degree, professional-technical training programs, as well as basic education, job skills, and community and continuing education classes. According to the Aspen Institute, the College is rated among the top CTCs in the state, and recognized as one of the leading 150 community colleges in the nation. Established in 1967, the College has been accredited by the Northwest Commission on Colleges and Universities since 1976. The College's mission is to contribute to the vitality of its communities by providing quality education in academic transfer, professional-technical, and lifelong learning, preparing students for active citizenship in a global society.

The College's campus is located in Bellingham, Washington, a community of about 89,000 residents. On its 72-acre campus, and through online courses, the College serves nearly 11,000 students annually. Of the degree and certificate seeking students, 78% are from surrounding Whatcom County (population estimated at 221,000). The College is governed by a five-member board of trustees appointed by the governor of the state with the consent of the state senate. 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 component unit, the Whatcom Community College Foundation (the 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, 2019. 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 as of the end of the fiscal year. A condensed comparison of the Statement of Net Position as of June 30, 2019 and 2018 follows:

Condensed Statements of Net Position
June 30, 2019 and 2018

	2019	2018	Change ($)	Change (%)
Assets				
Current assets	$ 39,924,751	$ 23,797,379	$ 16,127,372	67.77
Capital assets, net	98,787,739	72,413,251	26,374,488	36.42
Non-current assets, other	6,811,683	8,185,548	(1,373,865)	(16.78)
Total assets	145,524,173	104,396,178	41,127,995	39.40
Deferred outflows of resources	2,832,755	1,914,341	918,414	47.98
Liabilities				
Current liabilities	7,747,786	6,442,027	1,305,759	20.27
Non-current liabilities	58,175,420	33,619,413	24,556,007	73.04
Total liabilities	65,923,206	40,061,440	25,861,766	64.56
Deferred inflows of resources	7,833,576	3,855,872	3,977,704	103.16
Net position				
Net Investment in Capital Assets	63,348,897	62,923,734	425,163	0.68
Restricted	16,367,064	692,477	15,674,587	2,263.55
Unrestricted	(5,115,815)	(1,223,004)	(3,892,811)	318.30
	$ 74,600,146	$ 62,393,207	$ 12,206,939	19.56

Current assets consist primarily of cash and cash equivalents, receivables, and current portion of investments. The significant increase in current assets in the fiscal year ended June 30, 2019 can be attributed to two bond investments approaching maturity in fiscal year ended June 30, 2020 ($1.9 million), a new receivable related to the Certificate of Participation (COP) for Cedar Hall (on-campus student housing) construction ($15.3 million). As the construction project continues and funds are drawn from the COP, this decrease in receivables is offset by an increase in net capital assets in the form of Construction in Progress or in the form of a capitalized building.

Net capital assets increased by $26.3 million during the fiscal year ended June 30, 2019. After taking into consideration current depreciation expense of $2.3 million and disposal of fully depreciated equipment, the majority of the increase is the result of ongoing building construction.

The remainder of non-current assets consist primarily of the long-term portion of bond investments. The modest decrease in non-current assets is due to two bond investments approaching maturity within the fiscal year ended June 30, 2020 and becoming classified under current assets.

Deferred outflows and inflows of resources represent deferrals in pension and post-employment benefits associated with the implementation of GASB Statement No. 68 in the fiscal year ended June 30, 2015, Statement No. 73 in the fiscal year ended June 30, 2017, and Statement No. 75 in the fiscal year ended June 30, 2018. The increase in deferred outflows reflect the College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded pension and post-employment-related deferred outflows totaling $2,832,755 and $1,914,341 in the years ended June 30, 2019 and 2018, respectively.

Similarly, the increase in deferred inflows in the fiscal year ended June 30, 2019 reflects the difference between actual and projected investment earnings on the state's pension plans.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, unearned revenue, the current portion of Certificate of Participation (COP) debt, and the current portion of pension and OPEB liabilities. Current liabilities can fluctuate from year-to-year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. The significant increase in current liabilities between June 30, 2019 and 2018 is primarily due to the construction expenses related to the two buildings.

Non-current liabilities primarily consist of the long-term portion of COP debt, the long-term portion of pension obligations and OPEB liabilities, and the value of vacation and sick leave earned but not yet used by employees. The significant increase in non-current liabilities during the year ended June 30, 2019 is primarily due to new COP debt issued in August 2018 to fund ongoing construction activity ($26.5 million).

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 for Non-Expendable* - Consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only. These funds are restricted in perpetuity.

Restricted for Expendable - Resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary expendable funds for the College are for faculty professional development, investment income generated from unspent COP proceeds, and escrow deposits acting in lieu of bond restoration for construction projects.

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
June 30, 2019 and 2018

	2019	2018	Change ($)	Change (%)
Net investment in capital assets	$ 63,348,897	$ 62,923,734	$ 425,163	0.68
Restricted				
Non-expendable	250,000	250,000	-	-
Expendable	16,117,064	442,477	15,674,587	3,542.46
Unrestricted	(5,115,815)	(1,223,004)	(3,892,811)	318.30
Total net position	$ 74,600,146	$ 62,393,207	$ 12,206,939	19.56

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 the fiscal year ended June 30, 2019. 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 governmental agency without directly giving equal value in return. Accounting standards require that the College categorize state operating appropriations and Pell Grants as non-operating revenues.

Operating expenses are those 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 instruction and services provided.

A condensed comparison of the College's revenues, expenses and changes in net position for the fiscal years ended June 30, 2019 and 2018 is presented below.

Condensed Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	2018	Change ($)	Change (%)
Operating revenues				
Student tuition and fees, net	$ 13,365,674	$ 14,373,261	$ (1,007,587)	(7.01)
Grants and contracts	14,649,059	12,896,017	1,753,042	13.59
Auxiliary enterprise sales	2,016,183	2,246,942	(230,759)	(10.27)
Other operating revenues	442,301	615,818	(173,517)	(28.18)
Total Operating revenues	**30,473,217**	**30,132,038**	**341,179**	**1.13**
Non-operating revenues				
State appropriations	14,826,689	13,752,152	1,074,537	7.81
Federal Pell grant revenue	5,106,108	5,436,565	(330,457)	(6.08)
Other non-operating revenues	1,104,323	257,545	846,778	328.79
Total non-operating revenues	**21,037,120**	**19,446,262**	**1,590,858**	**8.18**
Total revenues	**$ 51,510,337**	**$ 49,578,300**	**$ 1,932,037**	**3.90**
Operating expenses				
Salaries and Benefits	31,704,863	31,149,041	555,822	1.78
Scholarships	6,657,290	5,804,414	852,876	14.69
Depreciation	2,286,022	2,262,780	23,242	1.03
Other operating expenses	11,137,497	11,102,677	34,820	0.31
Total Operating expenses	**51,785,672**	**50,318,912**	**1,466,760**	**2.91**
Non-operating expenses				
Building fee remittance	857,600	908,248	(50,648)	(5.58)
Other non-operating expenses	411,431	549,073	(137,642)	(25.07)
Total Non-operating expenses	**1,269,031**	**1,457,321**	**(188,290)**	**(12.92)**
Total expenses	**53,054,703**	**51,776,233**	**1,278,470**	**2.47**
Deficiency before capital contributions	(1,544,366)	(2,197,933)	653,567	(29.74)
Capital contributions	14,113,480	3,862,875	10,250,605	265.36
Change in net position	12,569,114	1,664,942	10,904,172	654.93
Net position, beginning of year	62,393,207	79,353,442	(16,960,235)	(21.37)
Prior period adjustment	(362,176)		(362,176)	100.00
Cumulative effect of change in accounting principle	-	(18,625,177)	18,625,177	(100.00)
Net position, beginning of year, as restated	62,031,031	60,728,265	1,302,766	2.15
Net position, end of year	$ 74,600,146	$ 62,393,207	$ 12,206,939	19.56

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 within the system. In the fiscal year ended June 30, 2019, the SBCTC allocated funds to each of the 34 colleges based on a three-year average of actual full-time equivalent (FTE) students served. Additionally, the supplemental budget also reduces the general fund by the amount set aside specifically for pension stabilization. This method of allocation continues into the year ended June 30, 2020.

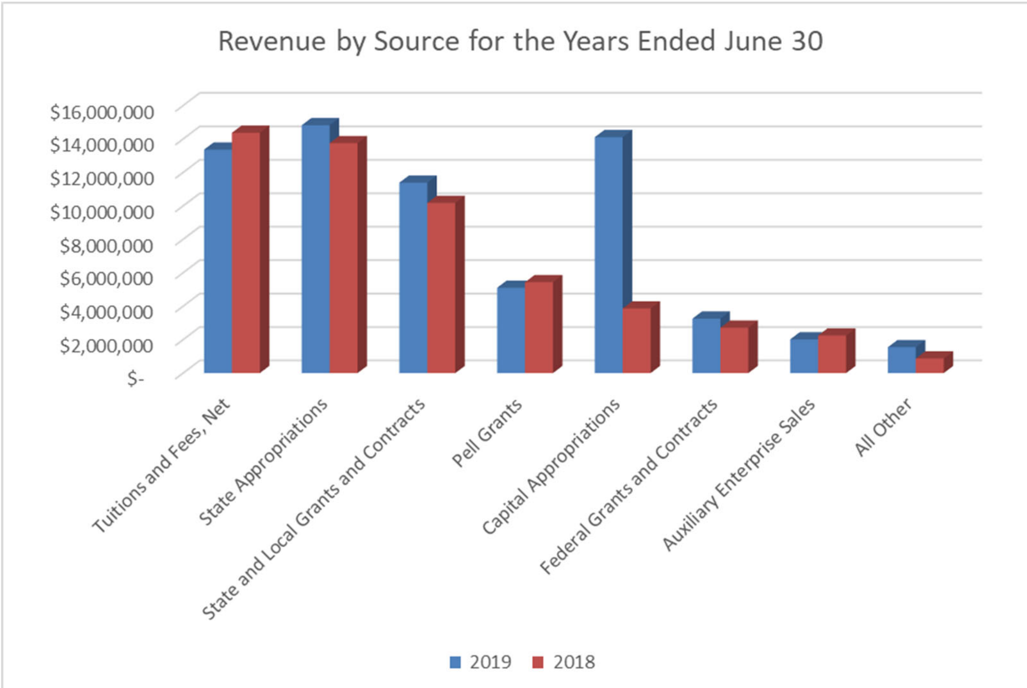
Since enrollments decreased in the fiscal year ended June 30, 2019, a corresponding decrease in the College's tuition and fee revenue is reflected.

Pell grant revenues generally follow enrollment trends. As the College's enrollment softened during the fiscal year ended June 30, 2019, so did the College's Pell grant revenue. For the year ended June 30, 2019, the College attempted to hold 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, such as online courses.

In the fiscal year ended June 30, 2019, grant and contract revenues increased by $1.7 million (excluding Pell grant) when compared with the fiscal year ended June 30, 2018. 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. Further, the College was awarded several federal and state grants that help support and fund specific initiatives.

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 appropriations revenue on the financial statement is the amount expended in the current year. In the fiscal year ended June 30, 2019, a significant portion of the capital appropriation was expended on capitalized projects. Expenditures from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenditures that meet the capitalization standard are not shown as expenses in the current period and are instead recognized as depreciation expense over the expected useful lifetime of the asset.

The chart below shows a comparison of both operating and non-operating revenues for the years ended June 30, 2019 and 2018.



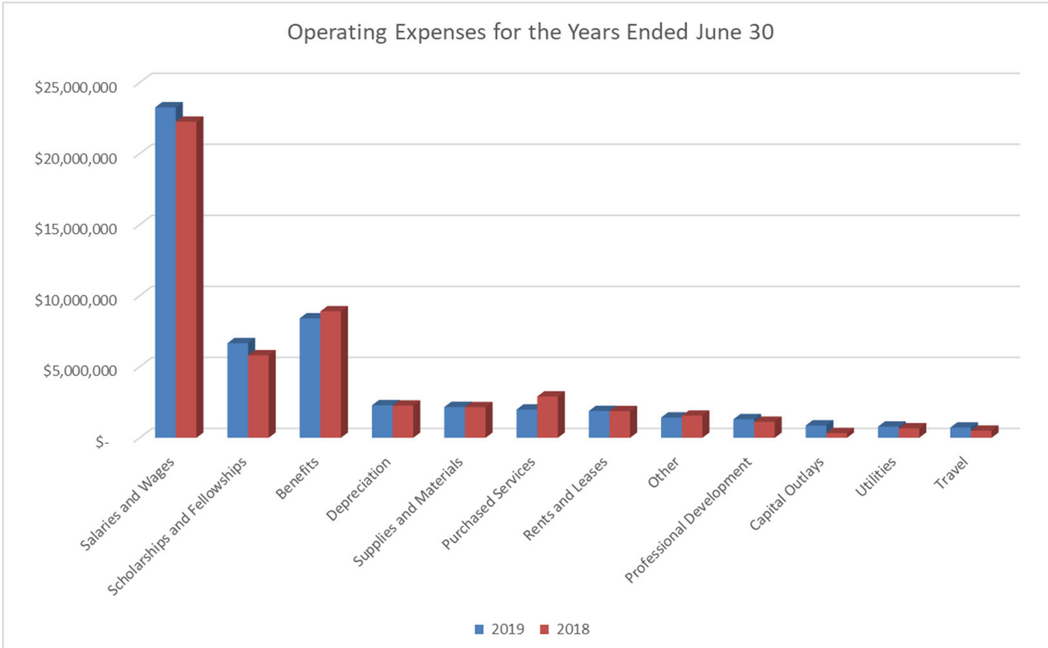
Expenses

In the fiscal year ended June 30, 2019, salary and benefit costs increased just over 1%, accounting for the majority of increase in the College's operating costs. This is primarily due to staffing demand related to grant activity, negotiated compensation increases, cost of living adjustments and costs for healthcare.

Utility costs increased modestly as a result of regular inflationary changes. Depreciation expense is driven by capital activity, with the annual depreciation expense showing a modest increase from the prior year due to the new assets being put into service, such as the emergency generator for the server room and the Kulshan Hall lab renovation.

Travel costs increased significantly due to grants requiring travel to fulfill related outcomes.

The following chart shows the relative spending for selected operating expenses for the years ended June 30, 2019 and 2018.



Capital Assets and Long-Term Debt Activities

The CTC system submits a single prioritized request to the Office of Financial Management (OFM) and the legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed. In the fiscal year ended June 30, 2019, the College was allocated capital funding for construction of the Phyllis and Charles Self Learning Commons.

At June 30, 2019, the College had $98.8 million in capital assets, net of accumulated depreciation. This represents an increase of $26.4 million from the previous year (as shown in the table below).

Capital Assets
June 30, 2019 and 2018

	2019	2018	Change ($)	Change (%)
Land	$ 13,406,089	$ 13,406,089	$ -	-
Construction in progress	34,413,278	5,951,727	28,461,551	478.21
Buildings, net	47,496,015	49,029,037	(1,533,022)	(3.13)
Other improvements and infrastructure, net	2,522,151	2,887,663	(365,512)	(12.66)
Equipment, net	834,565	1,031,130	(196,565)	(19.06)
Library resources, net	115,641	107,605	8,036	7.47
Total capital assets, net	$ 98,787,739	$ 72,413,251	$ 26,374,488	36.42

The significant increase in net capital assets can be attributed to ongoing construction activity from prior years. Additional information on capital assets can be found in Note 6 of the Notes to the Financial Statements.

At June 30, 2019, the College had $35.4 million in outstanding debt related to two COPs to finance construction of two buildings: 1) the Pavilion and Student Recreation Center and 2) Cedar Hall (on-campus student housing). This represents an increase of almost $26 million (as shown in the table below).

Notes Payable
June 30, 2019 and 2018

	2019	2018	Change ($)	Change (%)
Principal	$ 31,660,000	$ 8,955,000	$ 22,705,000	253.55
Unamortized premium	3,778,841	534,516	3,244,325	606.96
	$ 35,438,841	$ 9,489,516	$ 25,949,325	273.45

Additional information on notes payable and debt service requirements can be found in Notes 13 and 14 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

The community and technical college (CTC) system has seen recent legislative efforts to reinvest in higher education. However, legislation and approved state budgets are not always fully funded or keep pace with actual inflation and often specify earmarks and provisos that mandate how appropriations must be spent, which restricts use towards support of general college operations.

The allocation model used to appropriate state funds to each college in the CTC system is based on performance in several key indicators, from general enrollments to enrollments in high priority programs, as well as student completion and achievement points. The model is based on a three-year rolling average of actual enrollments and completions, comparative to CTCs in the state. While enrollments in excess of state funded levels distributed through the allocation model resulted in the College receiving a slight increase in state operating appropriations in the first years of the new model, the current trend in lower-than-expected state enrollments is expected to result in decreased district enrollment allocation base (DEAB) funds.

For the state allocation, colleges can impact a limited number of factors beyond student enrollment. One is to offer high-demand programs accompanied by enhanced funding rates or targeted allocation. The other is to perform well in student success metrics as part of the statewide student achievement initiative. The College has demonstrated success in both, such as successful procurement of funds to support the College's rapidly growing engineering program and earning a greater proportion of student achievement funding than the College would be expected to if funding was allocated only based on enrollment.

The College has a thriving Running Start program, and offers some programs and courses in a self-supporting model. The College offers online courses as self-support courses, in which students pay a course fee similar to tuition. It is unclear how much opportunity there may be for additional investments in CTCs in the upcoming years given the broad needs across multiple state agencies that must be considered. By building a strong base of revenue sources that can have strengths even in times of declining overall enrollment, the College is able to remain financially stable and well-positioned to continue fulfilling its mission. This diversified approach mitigates for funding deficits in any one funding source, where other revenue streams can balance out the bigger fiscal picture. This approach has served the College well, but will continue to be challenged as enrollments decline.

The College experienced an initial budget deficit of approximately 5 percent while planning for FY 2020. The increased state funding from the Workforce Education Investment Act helped balance the FY 2020 budget, while it also provided targeted funding for specific compensation-related items (i.e. nurse educators and high-demand faculty) and system initiatives (Guided Pathways). The full realization of these dedicated funds from the Legislature occurs in fiscal year 2020-21.

Statement of Net Position

Whatcom Community College
June 30, 2019

Assets		
Current assets		
Cash and cash equivalents, unrestricted	$	13,734,718
Cash and cash equivalents, restricted		99,758
Receivables, net of allowance for doubtful accounts		21,739,428
Investments, current portion		4,046,028
Inventories		178,278
Prepaid expenses		126,541
Total current assets		39,924,751
Non-current assets		
Cash and cash equivalents, restricted		899,913
Investments, net of current portion		5,911,770
Non-depreciable capital assets		47,819,367
Depreciable capital assets, net of accumulated depreciation		50,968,372
Total non-current assets		105,599,422
Total assets	$	145,524,173
Deferred outflows of resources		
Related to pensions	$	1,807,601
Related to other post-employment benefits		1,025,154
Total deferred outflows of resources	$	2,832,755
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$	4,949,724
Unearned revenue		1,884,206
Certificates of participation payable, current and net of unamortized premium		579,983
Pension liability, current portion		50,420
Other post-employment benefits liability, current portion		283,453
Total current liabilities		7,747,786
Non-current liabilities		
Compensated absences		2,798,162
Certificates of participation payable, net of current portion and unamortized premium		34,858,858
Net Pension Liability		2,960,166
Total Pension Liability		2,403,990
Other post-employment benefits liability, net of current portion		15,154,243
Total non-current liabilities		58,175,420
Total liabilities	$	65,923,206
Deferred inflows of resources		
Related to pensions	$	1,757,562
Related to other post-employment benefits		6,076,014
Total deferred inflows of resources	$	7,833,576
Net position		
Net investment in capital assets	$	63,348,897
Restricted		
Non-expendable		250,000
Expendable		16,117,064
Unrestricted		(5,115,815)
Total net position	$	74,600,146

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

Statement of Revenues, Expenses and Changes in Net Position

Whatcom Community College
Year Ended June 30, 2019

Operating revenue		
Student tuition and fees, net of scholarships discounts and allowances	$	13,365,674
State and local grants and contracts		11,391,029
Federal grants and contracts		3,258,030
Auxiliary enterprise sales		2,016,183
Other		442,301
Total operating revenue		30,473,217
Operating expenses		
Salaries and wages		23,269,514
Scholarships and fellowships		6,657,290
Employee benefits		8,435,349
Depreciation		2,286,022
Supplies and materials		2,154,152
Purchased services		1,988,945
Rents and leases		1,885,570
Other		1,430,227
Professional development		1,306,758
Capital outlays		868,560
Utilities		788,110
Travel		715,175
Total operating expenses		51,785,672
Operating loss		(21,312,455)
Non-operating revenues (expenses)		
State appropriations		14,826,689
Federal Pell grant		5,106,108
Investment income, gains and losses		1,104,323
Innovation fund remittance		(187,103)
Interest on indebtness		(224,328)
Building fee remittance		(857,600)
Non-operating revenues (expenses), net		19,768,089
Income(loss) before capital contributions		(1,544,366)
Capital contributions		
Capital appropriations		14,113,480
Increase in net position		12,569,114
Net position, beginning of year		62,393,207
Prior period adjustments		(362,175)
Net position, beginning of year, as restated		62,031,032
Net position, end of year	$	74,600,146

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

Statement of Cash Flows (Page 1 of 2)

Whatcom Community College
Year Ended June 30, 2019

Cash flows from operating activities	
Grants and contracts	$ 13,706,422
Tuition and fees	13,693,304
Auxiliary enterprises	1,537,297
Payments for utilities	(742,329)
Payments to suppliers	(1,240,049)
Other receipts (payments)	(6,615,929)
Payments for scholarships and fellowships	(6,657,290)
Payments for benefits	(8,207,603)
Payments to employees	(23,278,318)
Net cash used by operating activities	(17,804,497)
Cash flows from non-capital financing activities	
State appropriations	13,974,606
Pell grants	5,106,108
Innovation fee remittance	(193,498)
Building fee remittance	(864,257)
Net cash provided by non-capital financing activities	18,022,959
Cash flows from capital and related financing activities	
Capital appropriations	12,649,554
Proceeds from capital debt issuance	11,154,591
Principal paid on capital debt	(390,000)
Interest paid on debt	(748,719)
Purchases of capital assets	(25,927,693)
Net cash used by capital and related financing activities	(3,262,267)
Cash flows from investing activities	
Proceeds from sales and maturities of investments	2,079,000
Investment income	422,154
Purchase of investments	(2,078,763)
Net cash used by investing activities	422,391
Decrease in cash and cash equivalents	(2,621,414)
Cash and cash equivalents, beginning of year	17,355,803
Cash and cash equivalents, end of year	$ 14,734,389

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

Statement of Cash Flows (Page 2 of 2)

Whatcom Community College
Year Ended June 30, 2019

Reconciliation of operating net loss to net cash used by operating activities		
Operating net loss	$	(21,312,455)
Adjustments to reconcile net loss to net cash		
Depreciation expense		2,286,022
Capital financing through receivable		14,995,130
Benefits expense related to pension liability		(381,967)
Benefits expense related to other post-employment benefits liability		644,039
(Increase) decrease in assets		
Receivables, net		(16,723,305)
Inventories		19,319
Prepaid expenses		(40,938)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities		2,688,346
Compensated absences		100,922
Unearned revenue		(79,610)
Net cash used by operating activities	$	(17,804,497)
Significant non-cash transactions		
COP proceeds unspent, recognized as receivable	$	14,933,354
Purchase of capital assets through accounts payable	$	1,507,365
Interest earned from COP unspent proceeds, recognized as receivable	$	434,040
Amortization of capital debt premium, reducing interest expense	$	135,678
Unrealized gains from bond investments	$	188,495

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

Statement of Financial Position

Whatcom Community College Foundation
June 30, 2019

Assets		
Current assets		
Cash	$	186,122
Investments		594,657
Pledges and grants receivable, current portion		50,882
Prepaid expense		21,426
Total current assets		853,087
Long-term assets		
Land, building, and equipment, net		7,889,078
Cash, held for endowment		45,345
Investments, held for endowment		7,808,861
Pledges and grants receivable, net of current portion and discount		152,058
Total non-current assets		15,895,342
Total assets	$	16,748,429
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$	8,182
Notes payable, current portion		251,722
Total current liabilities		259,904
Long-term liabilities		
Notes payable, net of current portion		4,386,345
Total liabilities		4,646,249
Net assets		
Without donor restrictions		
Undesignated		2,968,136
Board-designated endowment		1,533,695
Total without donor restrictions		4,501,831
With donor restrictions		7,600,349
Total net assets		12,102,180
Total liabilities and net assets	$	16,748,429

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

Statement of Activities

Whatcom Community College Foundation
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	$ 330,659	$ 882,553	$ 1,213,212
Events, fundraisers, and other	-	6,000	6,000
Lease and rent income	781,173	-	781,173
In-kind contributions	353,258	-	353,258
Investment income	128,723	281,700	410,423
Net assets released from restrictions	638,197	(638,197)	-
Total support and revenue	2,232,010	532,056	2,764,066
Expenses			
Program services			
College support	660,994	-	660,994
Scholarship awards	340,163	-	340,163
Total program services	1,001,157	-	1,001,157
Supporting services		-	
Management and general	288,531	-	288,531
Fundraising	238,989	-	238,989
Total supporting services	527,520	-	527,520
Total expenses	1,528,677	-	1,528,677
Change in net assets	703,333	532,056	1,235,389
Net assets, beginning of year	3,798,498	7,068,293	10,866,791
Net assets, end of year	$ 4,501,831	$ 7,600,349	$ 12,102,180

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

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

Whatcom Community College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers associates and applied baccalaureate degrees, certificates and high school diplomas. It is governed by a five-member board of trustees appointed by the governor and confirmed by the state senate. The College is an agency of the state of Washington. The financial activity of the College is included in the state's Comprehensive Annual Financial Report (CAFR).

The Whatcom Community College Foundation (the Foundation) is a separate, affiliated non-profit entity incorporated under Washington law in 1987 and recognized as a tax-exempt 501(c)(3) charity. The Foundation's charitable purpose is to ensure access to higher education for students from all backgrounds and promote academic innovation and excellence on the College's campus. 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 (GAAP). Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2019, the Foundation distributed $1,001,157 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete, audited financial statements may be obtained from the Foundation's administrative offices at 333 Calluna Court, 2nd Floor, Bellingham, Washington 98226, or by calling (360) 383-3320.

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 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 in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. Endowment investments are classified as non-current assets. The College records all cash, cash equivalents, and investments at fair value. Investments in the state's LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. All other investments are reported at fair value.

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

Receivables

Receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, amounts due from federal, state and local governments or private sources as allowed under the terms of grants and contracts, and proceeds from Certificates of Participation that have not yet been received from the State Treasurer. Receivable are shown net of estimated uncollectible amounts.

Inventories

Inventories, consisting of merchandise for resale in the college bookstore and course-related supplies, are valued at cost using the first-in, first-out (FIFO) method.

Capital Assets

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB Statement No. 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as defined by the state of Washington's Office of Financial Management. Useful lives are generally 3 to 7 years for equipment; 15 to 50 years for buildings, and 20 to 50 years for infrastructure and land improvements.

The College reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2019, no assets had been written down.

Unearned Revenues

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

Tax Exemption

The College is a tax-exempt organization under the provisions of Section 115(1) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income. Accordingly, no provision for income tax is necessary.

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.

Beginning fiscal year ended June 30, 2017, the College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68 (Accounting and Financial Reporting for Pensions)*. The reporting requirements are similar to GASB Statement No. 68 but use current fiscal year end as the measurement date for reporting the pension liabilities.

Other Post-Employment Benefits Liability

In the fiscal year ended June 30, 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment 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 Non-Expendable
This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principle.

Restricted for Expendable
This includes resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.

Restricted net position consisted of the following at fiscal year end June 30, 2019:

	Non-Expendable	Expendable	Total
Cash and cash equivalents			
Faculty endowment	$ 250,000	$ 426,174	$ 676,174
Certificate of Participation	$ -	15,367,393	15,367,393
Assignment of savings in lieu of bond	-	323,497	323,497
	$ 250,000	$ 16,117,064	$ 16,367,064

Unrestricted
This represents resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

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

Classification of Revenues and Expenses

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

Operating Revenues
This includes activities that are directly related to the principal operations of the College, such as 1) student tuition and fees, net of waivers and scholarship discounts and allowances, 2) sales and services of auxiliary enterprises and 3) most federal, state and local grants and contracts that primarily support the operational/educational activities of the colleges. Examples include a contract program with the Office of Superintendent of Public Instruction 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
This includes salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation.

Non-Operating Revenues
This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government.

Non-Operating Expenses
This includes state remittance related to the building fee and the innovation fee, along with interest incurred on the Certificates of Participation (COP) 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 ended June 30, 2019 are $ $4,510,642.

State Appropriations

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

Building and Innovation Fee Remittance

Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The building fee portion of tuition charged to students is an amount established by the legislature is subject to change annually. The fee provides funding for capital construction and projects on a system-wide basis using a competitive biennial allocation process. The innovation fee was established in order to fund the State Board of Community and Technical College's (SBCTC's) Strategic Technology Plan. The use of the fund is to implement new enterprise resource planning software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for both fees to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the Statement of Revenues, Expenses and Changes in Net Position.

Note 2 - Accounting and Reporting Changes

Accounting Standard Impacting the Future

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be in effect beginning fiscal year ended June 30, 2021. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is following the state's Office of Financial Management (OFM) directives to prepare for the implementation of this statement.

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

Note 3 - Cash, Cash Equivalents, and Investments

Deposits

Cash and cash equivalents include bank demand deposits, bank escrow 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 (OST) 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

The College is a participant in the LGIP 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 GASB

Statement No. 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 OST prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, Washington 98504-0200, or online at http://www.tre.wa.gov.

As of June 30, 2019, the carrying amount of the College's cash and equivalents was composed of:

	Unrestricted	Restricted	Total
Petty cash and change funds	$ 6,850	$ -	$ 6,850
Bank demand and time deposits	675,772	-	675,772
Assignment of funds in lieu of bond	-	323,497	323,497
Local government investment pool	13,052,096	676,174	13,728,270
	$ 13,734,718	$ 999,671	$ 14,734,389

As of June 30, 2019, the College's restricted cash and equivalents included:

	Current	Long-Term	Total
Faculty development funds			
Spendable portion	$ 99,758	$ 326,416	$ 426,174
Non-spendable portion	-	250,000	250,000
Assignment of funds in lieu of bond			
Environmental restoration	-	99,671	99,671
Park impact fee credit	-	223,826	223,826
	$ 99,758	$ 899,913	$ 999,671

Restricted cash is made up of the long-term spendable portion of faculty development funds, the permanently endowed non-spendable portion restricted for faculty development, and assignment of funds in lieu of bond assignment required to support ongoing construction activities.

State law (WAC 131-16-450) allows for all earnings from this endowment trust fund to be expended for the purpose of this program. Spending for faculty development awards were supported by the amount of earnings; the program is also supported with funds from the Foundation.

During the fiscal year ended June 30, 2019, the College transferred $323,497 from unrestricted bank demand deposits to three restricted assignment of savings bank accounts. The transfer satisfies assignment of funds in lieu of 1) two bonds for environmental restoration and 2) park impact fee assessment for Cedar Hall. The accounts are required by the City of Bellingham for ongoing construction-related activities. The assignment of funds remains in effect as required by permit or as outlined in the respective agreements with the City of Bellingham.

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 College's demand deposits are with Peoples Bank of Washington. All cash and equivalents, except for change funds and petty cash held by the College, are insured by the Federal Deposit Insurance Corporation or by collateral held by the Washington Public Deposit Protection Commission.

Investments

Investments consist of US Treasury and Agency securities as follows:

		Investment Maturities	
	Fair Value	One Year or Less	1-5 Years
Resolution Funding Corp.	$ 6,257,557	$ 2,048,494	$ 4,209,063
Federal Farm Credit Bank	1,997,534	1,997,534	-
Federal Home Loan Mortgage Corp.	1,702,707	-	1,702,707
	$ 9,957,798	$ 4,046,028	$ 5,911,770

Interest Rate Risk - Investments

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

Concentration of Credit Risk - Investments

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

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2019, $ $9,707,798.98 of the College's operating fund investments, and $250,000 of endowment assets, held by US Bank for the account of the College, are exposed to custodial credit risk. See listing above for US Treasury and Agency securities.

Investments Exposed to Custodial Risk	Fair Value
US Bank	9,957,798
	$ 9,957,798

Investment Expenses

Under implementation of GASB Statement No. 35, investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2019 were $1,048.

Note 4 - Receivables

Receivables consists of: 1) tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, 2) amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements, and 3) interest receivable from US Treasury bond investments. At June 30, 2019, the College's receivables were as follows:

Due from other state agencies	$ 20,129,364
Due from the federal government	1,504,872
Student tuition and fees	261,316
Other	30,517
Interest receivable	18,563
Receivables, gross	21,944,632
Less: allowance for doubtful accounts	(205,204)
Receivables, net	$ 21,739,428

The majority of receivables are unspent proceeds from the Certificate of Participation acquired in August 2018 due from the OST. See Note 13 for more information.

Activity during fiscal year ended June 30, 2019	
Principal proceeds	26,475,000
Additional proceeds reducing interest expense	4,944
Reimbursements to College from OST	(11,546,590)
Interest earned	434,039
Due from state agency - June 30, 2019	$ 15,367,393

Allowance for doubtful accounts is related to student tuition and fees.

Note 5 - Inventories

Inventories, stated at cost using the FIFO (first in, first out) method, consisted of the following as of June 30, 2019.

Merchandise Inventory	$	178,278

Note 6 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2019 is presented as follows. The current year depreciation expense was $2,286,022.

	Balance June 30, 2018	Additions/ Transfers	Retirements	Balance June 30, 2019
Capital assets, non-depreciable				
Land	$ 13,406,089	$ -	$ -	$ 13,406,089
Construction in progress	5,951,727	28,461,551	-	34,413,278
Total capital assets, non-depreciable	19,357,816	28,461,551	-	47,819,367
Capital assets, depreciable				
Buildings	71,010,921	-	-	71,010,921
Other improvements and infrastructur	5,900,167	-	-	5,900,167
Equipment	3,501,612	162,685	(16,759)	3,647,538
Library resources	604,119	36,274	-	640,393
Total capital assets, depreciable	81,016,819	198,959	(16,759)	81,199,019
Less accumulated depreciation				
Buildings	21,981,884	1,533,022	-	23,514,906
Other improvements and infrastructur	3,012,504	365,512	-	3,378,016
Equipment	2,470,482	359,250	(16,759)	2,812,973
Library resources	496,514	28,238	-	524,752
Total accumulated depreciation	27,961,384	2,286,022	(16,759)	30,230,647
Total capital assets, depreciable, net	53,055,435	(2,087,063)	-	50,968,372
Total capital assets, net	$ 72,413,251	$ 26,374,488	$ -	$ 98,787,739

Library resources cost and accumulated depreciation opening balances at June 30, 2018 were restated to reflect the absence of a fully depreciated capital asset in the prior year's financial statements. The asset was acquired in January 2004 for $38,873.

The College continued construction of two buildings during the fiscal year ended June 30, 2019: the Phyllis and Charles Self Learning Commons funded by capital appropriation and Cedar Hall (on-campus student housing) funded through note payable (see Note 13). Anticipated completion of both buildings is spring 2020.

Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2019 were as follows:

Accounts payable	$	3,740,674
Accrued salaries and benefits		690,991
Other accrued liabilities		418,357
Due to other state agencies		99,702
	$	4,949,724

Note 8 - Unearned Revenue

Unearned revenue is comprised of receipts which have not yet met revenue recognition criteria, as follows at June 30, 2019:

Summer quarter tuition and fees	$	1,841,040
Housing pre-paid rent		43,166
	$	1,884,206

Note 9 - Risk Management

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

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

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. Payments made for claims from July 1, 2018 through June 30, 2019, were $23,484. Cash reserves for unemployment compensation for all employees at June 30, 2019, were $11,670.

Note 10 - Schedule of Non-Current Liabilities

	June 30, 2018	July 1, 2018 to June 30, 2019		June 30, 2019		
	Balance	Additions	Reductions	Balance	Current Portion	Long-Term Portion
Notes payable						
Principal	$ 8,955,000	$ 23,095,000	$ (390,000)	$ 31,660,000	$ 410,000	$ 31,250,000
Unamortized premium	534,516	3,380,000	(135,675)	3,778,841	169,983	3,608,858
Total notes payable	9,489,516	26,475,000	(525,675)	35,438,841	579,983	34,858,858
Other liabilities						
Compensated absences	2,697,240	1,177,584	(1,076,662)	2,798,162	-	2,798,162
Pension liability	5,753,522	450,770	(789,717)	5,414,576	50,420	5,364,155
OPEB liability	17,895,968	2,234,454	(4,692,726)	15,437,696	283,453	15,154,243
Total other liabilities	26,346,730	3,862,808	(6,559,105)	23,650,434	333,873	23,316,560
Total non-current liabilities	$ 35,836,246	$ 30,337,808	$ (7,084,780)	$ 59,089,275	$ 913,856	$ 58,175,418

Note 11 - 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 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. Compensated absence balances as of June 30, 2019 totaled:

Sick	$ 1,779,700
Vacation	1,018,462
	$ 2,798,162

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.

Note 12 - Leases Payable

The College leases buildings and office equipment from various vendors. These leases are classified as operating leases. The property leases are detailed below.

Foundation Building

The College began leasing the Whatcom Community College Foundation Building, located on Calluna Court, from the Foundation for a term beginning June 1, 2006, and ended May 31, 2011. In June 2011 the lease was extended an additional five years, as per the original terms of the agreement. Under the lease, the College pays the Foundation monthly lease payments of $26,178, plus operating expenses. An additional five-year extension took effect as of May 31, 2016, upon being processed through the Department of Enterprise Services, Real Estate Services, with the option for the College to renew for another five year period through 2026.

Health Professions Education Center (HPEC)

The HPEC is a building near the campus, located on Stuart Road. The monthly rental payment is $38,920 plus operating expenses. The initial agreement was for five years with options to extend the lease for three additional five-year terms. The College intends to exercise the renewal options, as the facility is specially equipped to support health professions instruction, including lab spaces. The renewal periods are as follows:

- August 1, 2023 to July 31, 2028
- August 1, 2028 to July 31, 2033
- August 1, 2033 to July 31, 2038

The future minimum lease payments under operating leases consist of the following for the fiscal years ended June 30:

		Real Property			
	Equipment	Foundation	HPEC	Total	Total
2020	$ 152,828	$ 314,133	$ 467,040	$ 781,173	$ 934,001
2021	150,428	287,956	467,040	754,996	905,424
2022	150,428	-	467,040	467,040	617,468
2023	7,183	-	467,040	467,040	474,223
2024	5,387	-	38,920	38,920	44,307
	$ 466,254	$ 602,089	$ 1,907,080	$ 2,509,169	$ 2,975,423

Note 13 - Notes Payable

As of the report date, the College holds two COPs issued by the OST to finance various capital projects.

	Principal	Unamortized Premium	Total
Pavilion and Student Recreation Center	$ 8,565,000	$ 501,266	$ 9,066,266
Cedar Hall (on-campus student housing)	23,095,000	3,277,575	26,372,575
	$ 31,660,000	$ 3,778,841	$ 35,438,841

Pavilion and Student Recreation Center

In August 2014, the College obtained financing to renovate and remodel the Pavilion in the amount of $10,340,000. The $11,000,000 bond was issued at a premium of $660,000, which will be amortized over the 20-year life of the bond, and will have the effect of reducing future interest expense. The interest rate charged is 3.18038%.

Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 2013. Student fees related to this COP are accounted for in a dedicated fund, which is used to pay the principal and interest. Payments related to the COP do not come from the operating budget.

Cedar Hall (on-campus student housing)

In August 2018, the College obtained financing to construct on-campus student housing in the amount of $23,095,000. The $26,475,000 bond was issued at a premium of $3,380,000, which will be amortized over the 25-year life of the bond, and will have the effect of reducing future interest expense. The interest rate charged is 3.72627%.

The rental income generated by students for residence in the facility will be used to service the debt. Student fees related to this COP are accounted for in a dedicated fund, which is used to pay principal and interest, not coming out of the general operating budget.

As of fiscal year end June 30, 2019, the College had $14,933,354 of COP unspent proceeds and unspent proceeds earned interest of $434,039 during the fiscal year ended June 30, 2019. The earnings must be spent on the construction of the project. The balance held by the OST is reported as $15,367,394 receivable due from another state agency in Note 4.

The College's debt service requirements for these note agreements for the next five years and thereafter are as follows in Note 14.

Note 14 - Annual Debt Service Requirements

As of the report date, future debt service requirements for years ended June 30 are as follows:

	Annual Payment			Premium
	Principal	Interest	Total	Amortization
2020	$ 410,000	$ 1,495,256	$ 1,905,256	$ 169,983
2021	990,000	1,474,756	2,464,756	169,983
2022	1,040,000	1,425,256	2,465,256	169,983
2023	1,095,000	1,373,256	2,468,256	169,983
2024	1,150,000	1,318,506	2,468,506	169,983
2025 to 2029	6,615,000	5,707,881	12,322,881	849,917
2030 to 2034	8,185,000	4,123,700	12,308,700	849,917
2035 to 2039	6,100,000	2,463,250	8,563,250	682,828
2040 to 2043	6,075,000	777,751	6,852,751	546,264
	$ 31,660,000	$ 20,159,612	$ 51,819,612	$ 3,778,841

Note 15 - Pension Liability

Pension liabilities reported as of June 30, 2019 consists of the following plan balances:

PERS Plan 1	$ 1,763,458
PERS Plan 2/3	830,212
TRS Plan 1	329,151
TRS Plan 2/3	37,346
SBRP	2,454,410
	$ 5,414,576

Note 16 - Retirement Plans

A. General

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

Basis of Accounting

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

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 and No. 73 for the College, for fiscal year ended June 30, 2019:

Aggregate Pension Amounts - All Plans

Pension liabilities	$ 5,414,576
Deferred outflows of resources related to pensions	$ 1,807,605
Deferred inflows of resources related to pensions	$ 1,757,562
Pension expense	$ 495,432

Department of Retirement Systems

As established in the Revised Code of Washington (RCW) Chapter 41.50, the 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 participated in during the fiscal year ended June 30, 2019:

- 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 in a deferred compensation program in accordance with IRC 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, Financial Reporting for Pension Plan. 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 RCW 28B.10, 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 (PFC) 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 RCW 41.32 and 41.34 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 two percent of 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 COLA amount based on the CPI, capped at three 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 two percent of the AFC per year of service. A COLA is granted based on the CPI, capped at three 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 one 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 ten 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 PFC 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, 2019 were as follows:

	PERS Plan 1	PERS Plan 2/3*	TRS Plan 1	TRS Plan 2/3*
Contribution rate (%)	12.83	12.83	15.41	15.41
Actual contributions ($)	$ 5,861	$ 709,431	$ 14,101	$ 107,569

*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, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

	Amount (%)
Inflation	2.75
Salary increases	3.50
Investment rate of return	7.40

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). 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.

The OSA selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

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, 2018, are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Fixed income	20.0	1.7
Tangible assets	7.0	4.9
Real estate	18.0	5.8
Global equity	32.0	6.3
Private equity	23.0	9.3
Total	100.0	

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

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

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

The following 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 Rate (7.4)%	1% Increase (8.4)%
PERS Plan 1	$ 2,167,180	$ 1,763,458	$ 1,413,754
PERS Plan 2/3	$ 3,797,407	$ 830,212	$ (1,602,558)
TRS Plan 1	$ 411,404	$ 329,151	$ 257,943
TRS Plan 2/3	$ 232,767	$ 37,346	$ (121,404)

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

Pension Liabilities. At June 30, 2019, the College reported a total pension liability of $2,960,165 for its proportionate share of the net pension liabilities as follows:

PERS Plan 1	$ 1,763,458
PERS Plan 2/3	830,211
TRS Plan 1	329,150
TRS Plan 2/3	37,346
	$ 2,960,165

The College's proportionate share of pension liabilities for fiscal years ended June 30, 2018 and 2018 for each retirement plan are listed below:

	2018 (%)	2017 (%)	Change (%)
PERS Plan 1	0.039486	0.036952	0.002534
PERS Plan 2/3	0.048624	0.045233	0.003391
TRS Plan 1	0.011270	0.011612	(0.000342)
TRS Plan 2/3	0.008297	0.007995	0.000302

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

Pension Expense. For the fiscal year ended June 30, 2019 the College recognized pension expense as follows:

PERS Plan 1	$ 281,149
PERS Plan 2/3	65,854
TRS Plan 1	24,687
TRS Plan 2/3	30,054
	$ 401,744

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, 2019:

	PERS Plan 1		PERS Plan 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 101,762	$ 145,355
Difference between expected and actual earnings of pension plan investments	-	70,079	-	509,456
Changes of assumptions	-	-	9,712	236,271
Changes in College's proportionate share of pension liabilities	-	-	211,518	
Contributions subsequent to measurement date	293,125	-	422,167	-
Total	$ 293,125	$ 70,079	$ 745,159	$ 891,082

	TRS Plan 1		TRS Plan 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 17,550	$ 2,758
Difference between expected and actual earnings of pension plan investments	-	14,076	-	31,585
Changes of assumptions	-	-	635	15,008
Changes in College's proportionate share of pension liabilities	-	-	29,095	-
Contributions subsequent to measurement date	66,310	-	55,359	-
Total	$ 66,310	$ 14,076	$ 102,639	$ 49,350

	Total	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 119,312	$ 148,112
Difference between expected and actual earnings of pension plan investments	$ -	$ 625,196
Changes of assumptions	$ 10,347	$ 251,279
Changes in College's proportionate share of pension liabilities	$ 240,613	$ -
Contributions subsequent to measurement date	836,960	-
Total	$ 1,207,232	$ 1,024,587

The $836,960 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ending June 30, 2020.

Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense in the fiscal year ended June 30 as follows:

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	Total
2020	$ 3,066	$ (23,972)	$ 1,408	$ 10,421	$ (9,076)
2021	(15,320)	(133,819)	(2,914)	(229)	(152,281)
2022	(45,970)	(279,688)	(10,009)	(14,318)	(349,986)
2023	(11,855)	(83,329)	(2,561)	(2,881)	(100,626)
2024	-	(10,595)	-	1,564	(9,031)
Thereafter	-	(36,687)	-	3,372	(33,315)
	$ (70,079)	$ (568,090)	$ (14,076)	$ (2,071)	$ (654,316)

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

State Board Retirement Plan – Supplemental Defined Benefits Plans

Plan Description. The State Board Retirement Plan (SBRP) is a privately-administered, single-employer, defined-contribution plan 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 RCW 28B.10 and reports its proportionate share of the total pension liability. SBCTC board makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements.

Contributions. Contribution rates for the SBRP (also referred to as 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 fiscal year ended June 30, 2019 were each $1,163,910.

Benefits Provided. The State Board Supplemental Retirement Plan (SBSRP) provides retirement, disability, and death benefits to eligible members.

As of July 1, 2011, all SBSRPs were closed to new entrants.

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

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

The SBSRP pension benefits are unfunded. For the year ended June 30, 2019, supplemental benefits were paid by the SBCTC on behalf of the system in the amount $1,818,000. The College's share of this amount was $ 40,431 In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the WSIB, for the purpose of funding future benefit obligations. During the fiscal year ended June 30, 2019, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $68,128.06. This amount was not used as a part of GASB Statement No. 73 calculations; its status as an asset has not been determined by the legislature. As of June 30, 2019, the community and technical college system accounted for $19,733,342 of the fund balance.

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

Salary increases	3.50 - 4.25%
Fixed income and variable income investment returns*	4.25 - 6.50%

* Measurements reflect actual investment returns through June 30, 2018.

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

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

Material assumption changes during the measurement period include the discount rate decrease from 3.87 percent to 3.50 percent.

Discount Rate. The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.50 percent for the June 30, 2019, measurement date.

Pension Expense. Pension expense for the fiscal year ended June 30, 2019 was $93,688.

Proportionate Share (%)		**2.22350%**
Service cost	$	63,401
Interest		76,690
Amortization of Differences Between Expected and Actual Experience		(83,498)
Amortization of Changes of Assumptions		9,464
Changes of benefit terms		-
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		66,058
Amortization of the Change in Proportionate Share of TP		27,630
Total Pension Expense	$	93,688

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for the fiscal year ended June 30, 2019 was 2.22350%. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating Colleges. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Proportionate share - 2018		**2.29846%**
Proportionate share - 2019		**2.22350%**
Total Pension Liability - Ending 2018	$	2,003,639
Total Pension Liability - Beginning 2019		1,938,291
Total Pension Liability - Change in Proportion		(65,348)
Total Deferred Inflow/Outflows - 2018		810,346
Total Deferred Inflow/Outflows - 2019		783,917
Total Deferred Inflows/Outflows - Change in Proportion		(26,429)
Total Change in Proportion	$	(91,777)

Plan Membership. Membership in the SBSRP consisted of the following as of June 30, 2018, the most recent actuarial valuation date:

Inactive Members or Beneficiaries Currently Receiving Benefits	Inactive Members Entitled to But Not Yet Receiving Benefits	Active Members	Total Members
3	13	150	166

Change in Total Pension Liability. The following table presents the change in total pension liability of the SBSRP at June 30, 2019 (the latest measurement date for the plan):

Service cost	$ 63,401
Interest	76,690
Changes of benefit terms	-
Differences between expected and actual experience	144,590
Changes in assumptions	271,869
Benefit payments	(40,431)
Changes in proportionate share of total pension liability	(65,348)
Other	-
Net change in total pension liability	450,771
Total pension liability - beginning	2,003,639
Total pension liability - ending	$ 2,454,410

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

	1% Decrease (2.50%)	Current Rate (3.50%)	1% Increase (4.50%)
SBSRP	$ 2,804,522	$ 2,454,410	$ 2,163,687

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the SBSRP 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	$ 125,050	$ 514,443
Changes of assumptions	$ 235,130	$ 139,156
Changes in College's proportionate share of pension liability	240,192	79,375
Transactions subsequent to measurement date	-	-
Total	$ 600,373	$ 732,975

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:

2020	$	(46,404)
2021		(46,404)
2022		(46,404)
2023		(46,404)
2024		(9,755)
Thereafter		62,768
	$	(132,602)

Note 17 - Other Post-Employment Benefits

Plan Description

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

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

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

Employees Covered by Benefit Terms

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

Active employees *	379
Retiree receiving benefits **	66
Retirees not receiving benefits ***	18
Total active employees and retirees	463

* Reflects active employees eligible for PEBB program participation as of June 30,2018. Of this amount, approximately 111,000 actives are participating in a PEBB program for their active health care benefits.
**. Headcount excludes 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 owed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

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

Benefits Provided

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated, health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2017, the average weighted implicit subsidy was valued at $327 per adult unit per month. In calendar year 2018, the average weighted implicit subsidy was valued at $347 per adult unit per month. In calendar year 2019, the average weighted implicit subsidy is projected to be $368 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the governor's budget. The final amount is approved by the state legislature. In calendar year 2017, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar year 2018. This was increased in calendar year 2019 up to $168 per member per month. It is projected to increase to $183 per member per month in calendar year 2020.

Contribution Information

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

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

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

Required Premium*

Medical	$	1,092
Dental		79
Life		4
Long-term disability		2
Total premium	$	1,177

The premiums were funded by:

Employer contributions	$	1,017
Employee contributions		160
Total contributions	$	1,177

*Per 2019 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on calendar year 2019 which includes projected claims at the time of this reporting.

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

Total OPEB Liability

As of June 30, 2019, the state reported a total OPEB liability of $5.08 billion. The College's proportionate share of the total OPEB liability is $15.44 million. This liability was determined based on a measurement date of June 30, 2018.

Actuarial Assumptions

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

For additional detail on the health care trend rates, please see Office of the State Actuary's 2018 OPEB Actuarial Valuation Report.

Inflation rate	2.75%
Projected salary changes	3.50% plus service-based salary increases
Health care trend rates	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 8%, reaching an ultimate rate of approximately 4.5% in 2080.
Post-retirement participation	65%
Spouse coverage	45%

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

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

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

Actuarial Methodology

The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	June 30, 2018
Actuarial measurement date	June 30, 2018
Actuarial cost method	Entry age
Amortization method	The recognition period for the experience and assumption changes is 9 years. This is equal to the avereage expected remaining service lives of all active and inactive members.
Asset valuation method	N/A - no assets

Discount Rate

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.58 percent for the June 30, 2017 measurement date and 3.87 percent for the June 30, 2018 measurement date.

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

Changes in Total OPEB Liability

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

Proportionate share (%)	**0.3039734245%**
Service cost	$ 965,189
Interest cost	663,562
Differences between expected and actual experience	605,703
Changes in assumptions	(4,225,455)
Changes of benefit terms	-
Benefit repayments	(280,255)
Changes in proportionate share	(187,016)
Other	-
Net change in total OPEB liability	(2,458,272)
Total OPEB liability - beginning	17,895,968
Total OPEB liability - ending	$ 15,437,696

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

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following represents the total OPEB liability of the College, calculated using the discount rate of 3.87 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87 percent) or one percentage point higher (4.87 percent) than the current rate:

	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
OPEB	$ 18,614,232	$ 15,437,696	$ 12,959,310

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates

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

	1% Decrease 3.50%	Current Rate 4.50%	1% Increase 5.50%
OPEB	$ 12,672,852	$ 15,437,696	$ 19,114,413

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

For the fiscal year ended June 30, 2019, the College recognized OPEB expense of $927,492. OPEB expense consisted of the following elements:

Proportionate share (%)	**0.3039734245%**
Service cost	$ 965,189
Interest cost	663,562
Amortization of differences between expected and actual experience	67,300
Amortization of changes in assumptions	(774,290)
Changes of benefit terms	-
Amortization of changes in proportion	5,731
Administrative expenses	-
Total OPEB expense	$ 927,492

As of June 30, 2019, the deferred inflows and deferred outflows of resources for the College were as follows:

Proportionate share (%) **0.3039734245%**

	Deferred Inflows	Deferred Outflows
Difference between expected and actual experience	$ -	$ 538,403
Changes in assumptions	5,889,520	-
Transactions subsequent to the measurement date	-	283,453
Changes in proportion	186,494	203,298
Total deferred inflows and outflows	$ 6,076,014	$ 1,025,154

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, 2020. 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 (%)		**0.3039734245%**
2020	$	(701,258)
2021		(701,258)
2022		(701,258)
2023		(701,258)
2024		(701,258)
Thereafter		(1,828,023)
	$	(5,334,313)

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 (%) - 2017		**0.3071835564%**
Proportionate share (%) - 2018		**0.3039734245%**
Total OPEB liability - beginning 2018	$	17,708,952
Total OPEB liability - ending 2017		17,895,968
Total OPEB liability change in proportion		(187,016)
Total deferred inflows/outflows - 2018		(2,158,100)
Total deferred inflows/outflows - 2017		(2,180,890)
Total deferred inflows/outflows change in proportion		22,790
Total change in proportion	$	(209,806)

Note 18 - Operating Expenses by Function

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 function such as instruction, research, and academic support. The following table lists operating expenses by function for the fiscal year ended June 30, 2019.

Instruction	$	19,732,222
Student services		9,174,013
Scholarships and other student financial aid		4,377,566
Institutional support		5,769,539
Operations and building maintenance		4,702,307
Auxiliary enterprises		3,200,677
Academic support services		2,543,326
Depreciation		2,286,022
	$	51,785,672

Note 19 - Commitments and Contingencies

As of fiscal year-end June 30, 2019, the College had commitments for various capital improvement projects that include construction and completion of new buildings and renovations of existing infrastructure. Subsequent to year-end, the College committed to an additional $349,714. in contracts related to Cedar Hall (on-campus student housing) construction and an additional $449,136 in contracts related to the Phyllis and Charles Self Learning Center.

Cedar Hall (on-campus student housing)	$	17,949,770
Phyllis and Charles Self Learning Commons		13,231,841
	$	31,181,611

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

Note 20 – Prior Period Adjustment

While reconciling the financial statements, the College discovered a receivable overstated by $362,175 related to an expected reimbursement from the Office of Financial Management posted in FY18. It was incorrectly posted for $1,384,237 instead of the correct $1,022,062 The correction affected Due from other state agencies and net position. The college has documented a reconciliation method to prevent this error in the future.

Note 21 - Subsequent Events

The City of Bellingham assessed the College a parks impact fee of $223,580.60 related to the permitting of Cedar Hall construction. This assessment is currently being held in escrow while discussion between the two parties continues around this assessment and opportunities to partner that may provide credit for this assessment. Depending on the agreed upon resolution, the $223,580.60 fee may not be realized by the College.

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus (COVID-19). In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, moving colleges and universities to online delivery, cancelling or postponing public events, and limiting gathering sizes. In March 2020, the Governor ordered a "stay at home" directive for the entire State of Washington.

Whatcom Community College made a proactive decision to complete winter quarter 2020 in an online format and, further, moved spring quarter 2020 instruction and services to online and/or remote delivery methods. This allows the College to continue fulfilling its mission while upholding state mandates and directives.

The College has put COVID-19 expense tracking, monitoring and reporting processes in place in order to size overall fiscal impact to the College. This reporting positions the College well to submit reimbursement to state and federal agencies if funding support becomes available. The length of time these measures will be in place, and the full extent of the financial impact on Whatcom Community College is unknown at this time.

Required Supplementary Information

Whatcom Community College
Pension Plan Information: Cost-Sharing Employer Plans

Washington State Department of Retirement Systems Plans
Schedule of Whatcom Community College's Proportionate Share of the Net Pension Liabilities

Public Employees' Retirement System (PERS) Plan 1

Measurement Date	College's Proportionate Share of Net Pension Liability Amount (%)	College's Proportionate Share of Net Pension Liability Amount ($)	College's Covered Payroll ($)	College's Pro-Portionate Share of Net Pension Liability as a Percentage of Its Covered Payroll (%)	Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability (%)
June 30, 2014	0.033075	$ 1,666,169	$ 3,492,795	47.70	61.19
June 30, 2015	0.034411	$ 1,800,015	$ 3,789,236	47.50	59.10
June 30, 2016	0.036226	$ 1,945,507	$ 4,175,406	46.59	57.03
June 30, 2017	0.036952	$ 1,753,401	$ 4,532,271	38.69	61.24
June 30, 2018	0.039486	$ 1,763,458	$ 5,173,384	34.09	63.22
June 30, 2019					
June 30, 2020					
June 30, 2021					
June 30, 2022					
June 30, 2023					

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

Measurement Date	College's Proportionate Share of Net Pension Liability Amount (%)	College's Proportionate Share of Net Pension Liability Amount ($)	College's Covered Payroll ($)	College's Pro-Portionate Share of Net Pension Liability as a Percentage of Its Covered Payroll (%)	Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability (%)
June 30, 2014	0.039399	$ 796,396	$ 3,370,509	23.63	93.29
June 30, 2015	0.041310	$ 1,476,030	$ 3,665,444	40.27	89.20
June 30, 2016	0.043279	$ 2,179,063	$ 4,048,061	53.83	85.82
June 30, 2017	0.045233	$ 1,571,631	$ 4,434,668	35.44	90.97
June 30, 2018	0.048624	$ 830,212	$ 5,084,332	16.33	95.77
June 30, 2019					
June 30, 2020					
June 30, 2021					
June 30, 2022					
June 30, 2023					

* These schedules are built prospectively until they contain ten years of data.

Washington State Department of Retirement Systems Plans
Schedule of Whatcom Community College's Proportionate Share of the Net Pension Liabilities (Cont.)

Teachers' Retirement System (TRS) Plan 1

Measurement Date	College's Proportionate Share of Net Pension Liability Amount (%)	College's Proportionate Share of Net Pension Liability Amount ($)	College's Covered Payroll ($)	College's Pro-Portionate Share of Net Pension Liability as a Percentage of Its Covered Payroll (%)	Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability (%)
June 30, 2014	0.005995	$ 176,820	$ 177,458	99.64	68.77
June 30, 2015	0.009017	$ 285,671	$ 346,504	82.44	65.70
June 30, 2016	0.010399	$ 355,047	$ 422,160	84.10	62.07
June 30, 2017	0.011612	$ 351,062	$ 541,245	64.86	65.58
June 30, 2018	0.011270	$ 329,151	$ 593,637	55.45	66.52
June 30, 2019					
June 30, 2020					
June 30, 2021					
June 30, 2022					
June 30, 2023					

Teachers' Retirement System (TRS) Plan 2/3

Measurement Date	College's Proportionate Share of Net Pension Liability Amount (%)	College's Proportionate Share of Net Pension Liability Amount ($)	College's Covered Payroll ($)	College's Pro-Portionate Share of Net Pension Liability as a Percentage of Its Covered Payroll (%)	Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability (%)
June 30, 2014	0.002308	$ 7,455	$ 105,598	7.06	96.81
June 30, 2015	0.005720	$ 48,265	$ 266,853	18.09	92.48
June 30, 2016	0.006910	$ 94,895	$ 336,776	28.18	88.72
June 30, 2017	0.007995	$ 73,789	$ 438,358	16.83	93.14
June 30, 2018	0.008297	$ 37,346	$ 505,644	7.39	96.88
June 30, 2019					
June 30, 2020					
June 30, 2021					
June 30, 2022					
June 30, 2023					

* These schedules are built prospectively until they contain ten years of data.

Washington State Department of Retirement Systems Plans
Schedule of Whatcom Community College's Contributions

Public Employees' Retirement System (PERS) Plan 1

Year Ended	Contractually Required Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll (%)
June 30, 2014	$ 146,410	$ 146,410	$ -	$ 3,492,795	4.19
June 30, 2015	$ 165,695	$ 165,695	$ -	$ 3,789,236	4.37
June 30, 2016	$ 205,439	$ 205,439	$ -	$ 4,175,406	4.92
June 30, 2017	$ 222,271	$ 222,271	$ -	$ 4,532,271	4.90
June 30, 2018	$ 267,051	$ 267,051	$ -	$ 5,173,384	5.16
June 30, 2019	$ 293,331	$ 293,331	$ -	$ 5,648,122	5.19
June 30, 2020					
June 30, 2021					
June 30, 2022					
June 30, 2023					

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

Year Ended	Contractually Required Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll (%)
June 30, 2014	$ 168,438	$ 168,438	$ -	$ 3,370,509	5.00
June 30, 2015	$ 184,018	$ 184,018	$ -	$ 3,665,444	5.02
June 30, 2016	$ 249,846	$ 249,846	$ -	$ 4,048,061	6.17
June 30, 2017	$ 276,278	$ 276,278	$ -	$ 4,434,668	6.23
June 30, 2018	$ 389,968	$ 389,968	$ -	$ 5,084,332	7.67
June 30, 2019	$ 431,323	$ 431,323	$ -	$ 5,601,598	7.70
June 30, 2020					
June 30, 2021					
June 30, 2022					
June 30, 2023					

* These schedules are built prospectively until they contain ten years of data.

Washington State Department of Retirement Systems Plans
Schedule of Whatcom Community College's Contributions (Cont.)

Teachers' Retirement System (TRS) Plan 1

Year Ended	Contractually Required Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll (%)
June 30, 2014	$ 11,855	$ 11,855	$ -	$ 177,458	6.68
June 30, 2015	$ 20,178	$ 20,178	$ -	$ 346,504	5.82
June 30, 2016	$ 31,606	$ 31,606	$ -	$ 422,160	7.49
June 30, 2017	$ 40,634	$ 40,634	$ -	$ 541,245	7.51
June 30, 2018	$ 49,731	$ 49,731	$ -	$ 593,637	8.38
June 30, 2019	$ 64,786	$ 64,786	$ -	$ 775,132	8.36
June 30, 2020					
June 30, 2021					
June 30, 2022					
June 30, 2023					

Teachers' Retirement System (TRS) Plan 2/3

Measurement Date	Contractually Required Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll (%)
June 30, 2014	$ 5,662	$ 6,041	$ (379)	$ 105,598	5.72
June 30, 2015	$ 15,200	$ 15,200	$ -	$ 266,853	5.70
June 30, 2016	$ 20,849	$ 20,849	$ -	$ 336,776	6.19
June 30, 2017	$ 29,457	$ 29,457	$ -	$ 438,358	6.72
June 30, 2018	$ 40,502	$ 40,502	$ -	$ 505,644	8.01
June 30, 2019	$ 54,662	$ 54,662	$ -	$ 682,420	8.01
June 30, 2020					
June 30, 2021					
June 30, 2022					
June 30, 2023					

* These schedules are built prospectively until they contain ten years of data.

State Board Supplemental Retirement Plan

Schedule of Changes in Whatcom Community College's Total Pension Liability and Related Ratios for Years Ended June 30

	2017	2018	2019
Activity during the year ended June 30			
Service cost	$ 110,317	$ 87,962	$ 63,401
Interest	71,562	80,837	76,690
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(515,964)	(239,086)	144,590
Changes of assumptions	(121,782)	(80,883)	271,869
Benefit repayments	(18,369)	(29,880)	(40,431)
Change in proportionate share of total pension liability	-	249,009	(65,348)
Other	-	-	-
Net change in pension liability	(474,236)	67,959	450,771
Total pension liability - beginning	2,409,916	1,935,680	2,003,639
Total pension liability - ending	$ 1,935,680	$ 2,003,639	$ 2,454,410
College's proportion of the total pension liability (%)	2.036486	2.298463	2.223499
Covered employee payroll	$ 11,292,120	$ 12,980,614	$ 13,846,694
Total pension liability as a percentage of covered employee payroll (%)	17.141865	15.435626	17.725603

* These schedules are built prospectively until they contain ten years of data.

Notes to Required Supplementary Information

The State Board Supplemental Retirement Plans (SBSRPs) 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.

Public Employees' Benefits Board
Schedule of Changes in Whatcom Community College's Total Other Post-Employment Benefits (OPEB) Liability and Related Ratios for Measurement Date of June 30

	2018	2019
Activity during the year ended June 30		
Service cost	$ 1,213,238	$ 965,189
Interest cost	568,288	663,562
Differences between expected and actual experience	-	605,703
Changes in assumptions	(2,772,119)	(4,225,455)
Changes in benefit terms	-	-
Benefit repayments	(289,609)	(280,255)
Changes in proportionate share	265,393	(187,016)
Other	-	-
Net change in OPEB liability	(1,014,809)	(2,458,272)
Total OPEB liability - beginning	18,910,777	17,895,968
Total OPEB liability - ending	$ 17,895,968	$ 15,437,696
College's proportion of the total OPEB liability (%)	0.3071835564	0.3039734245
Covered employee payroll	$ 19,075,550	$ 18,385,319
Total OPEB liability as a percentage of covered employee payroll (%)	93.816262	83.967518

* These schedules are built prospectively until they contain ten years of data.

Notes to Required Supplementary Information

The Public Employees 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.