Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Bellevue College

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

Published March 29, 2021

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Office of the Washington State Auditor
Pat McCarthy

March 29, 2021

Board of Trustees
Bellevue College
Bellevue, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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Bellevue College
July 1, 2019 through June 30, 2020

Board of Trustees
Bellevue College
Bellevue, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of the Bellevue College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 23, 2021.

Our report includes a reference to other auditors who audited the financial statements of the Bellevue College Foundation (the Foundation), as described in our report on the College's financial statements. This report includes our consideration of the results of the other 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 prior year comparative information has been derived from the Foundation's financial statements for the year ended June 30, 2019, on which other auditors issued their report dated March 6, 2021.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

March 23, 2021

Bellevue College
July 1, 2019 through June 30, 2020

Board of Trustees
Bellevue College
Bellevue, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business type activities and the aggregate discretely presented component unit of the Bellevue College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

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 financial position of business-type activities and the aggregate discretely presented component unit of the Bellevue College, as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

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

Other auditors have previously audited the Bellevue College Foundation's 2019 financial statements and they expressed an unmodified opinion in their report dated March 6, 2021.

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 on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

March 23, 2021

FINANCIAL SECTION

Bellevue College
July 1, 2019 through June 30, 2020

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Management’s Discussion and Analysis

Bellevue College

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

Bellevue College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 27,193 students. The College confers applied baccalaureate degrees, associates degrees, certificates and high school diplomas. The College was established in 1967 and its primary purpose is to be a student-centered, comprehensive and innovative college, committed to teaching excellence that advances the life-long educational development of its students while strengthening the economic, social and cultural life of its diverse community. The college promotes student success by providing high-quality, flexible, accessible educational programs and services; advancing pluralism, inclusion and global awareness; and acting as a catalyst and collaborator for a vibrant region.

The College’s main campuses are located in Bellevue, Washington, a community of about 148,100 residents. The College is governed by a six member Board of Trustees appointed by the governor of the state with the consent of the state Senate. In accordance with Washington State law governing technical colleges, the College’s board includes one member from business and one member from labor. In addition, the college has a Governor-appointed student trustee who is prohibited from voting on personnel or collective bargaining matters. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

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

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

Statement of Net Position

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

Condensed Statement of Net Position As of June 30, 2020	2020	2019
Assets		
Current Assets	$ 106,336,130	$ 115,947,605
Capital Assets, net	$ 246,115,440	$ 241,691,417
Total Assets	$ 352,451,570	$ 357,639,022
Deferred Outflows of Resources	$ 11,227,184	$ 6,676,010
Liabilities		
Current Liabilities	$ 20,702,769	$ 24,400,443
Other Liabilities, non-current	$ 121,268,775	$ 118,229,834
Total Liabilities	$ 141,971,545	$ 142,630,277
Deferred Inflows of Resources	$ 19,669,167	$ 21,286,534
Net Position		
Net Investment in Capital Assets	$ 187,918,977	$ 179,959,875
Restricted	$ 960,307	$ 859,864
Unrestricted	$ 13,158,759	$ 19,578,481
Total Net Position, as restated	$ 202,038,043	$ 200,398,220

Current assets consist primarily of cash, investments in LGIP, various accounts receivables and inventories. The significant decrease of current assets in FY 2020 can be primarily attributed to the construction of the Student Success Center.

Net capital assets increased by $4,424,011 from FY 2019 to FY 2020. After taking into consideration current depreciation expense of $7,377,635, the majority of the increase is the result of the construction of the Student Success Center building which was completed in 2020. The other major building project was the final construction expenses for the Gym/Fitness Center.

In prior years, non-current assets consisted primarily of the long-term portion of certain investments the College increased or its long-term investments as other investments matured. However, in FY2019, the college decreased its long-term investments in response to favorable interest rates in LGIP. The remaining long-term investments were recorded as short-term portion of long-term investments under current assets. As of FY2020, all remaining short-term investments matured and the funds invested in LGIP.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated with the implementation of GASB Statement No. 68 in FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018. The increase in deferred outflows reflect the College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded $6,676,010 in FY 2019 and $11,227,184 in FY2020 of pension and postemployment-related deferred outflows. The increase reflects the change in proportionate share.

Similarly, the decrease in deferred inflows in 2020 reflects the decrease in difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits. The College recorded $21,286,534 in FY 2019 and $19,669,167 in FY2020 of pension and postemployment-related deferred inflows. The decrease includes the change in proportionate share.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. When compared to FY 2019, FY 2020 payables increased due to unemployment insurance claims payable at year end related to the COVID-19 pandemic, though this increase was offset with the decreased capital projects payables.

The decrease in current liabilities from FY 2019 to FY 2020 is due to a reduction in payables as a result of fewer construction projects at year end.

There was a slight increase in unearned revenue, due to earlier enrollment prior to the end of the fiscal year.

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

The College's slight increase in non-current liabilities is primarily the result of overall increases in total net pension liability, pension liability and OPEB liability. The College's non-current liabilities continue to decrease as the College pays down the principal owed on Certificates of Participation for the Parking Garage, the Student Housing buildings, and the Student Success Center. The changes in non-current liabilities include reductions to employee vacation and sick leave balances as employees retire. The College continues to amortize COP premiums and gains on refinancing, thereby reducing the Unamortized Premiums non-current liability.

Net position represents the value of the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The College is required by accounting standards to report its net position in four categories:

***Net Investment in Capital Assets* –** The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.

Restricted:

***Nonexpendable* –** consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for spending but for investment purposes only. Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Foundation. The college is not reporting any balance in this category.

***Expendable* –** resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset.

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

Net Position As of June 30th	**FY 2020**	**FY 2019**
Net investment in capital assets	$187,918,977	$179,959,875
Restricted		
Expendable	$960,307	$859,864
Nonexpendable	$0	$0
Unrestricted	$13,158,759	$19,578,481
Total Net Position	**$202,038,043**	**$200,398,220**

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

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

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

	2020	2019
Operating Revenues		
Student tuition and fees, net	46,037,576	51,094,576
Auxiliary enterprise sales	9,227,230	10,532,765
Grants and contracts	31,782,055	26,451,474
Other operating revenues	1,233,943	1,601,996
Total operating revenues	**88,280,804**	**89,680,812**
Non-Operating Revenues		
State appropriations	43,136,175	36,794,650
Federal Pell grant revenue	6,799,313	6,136,803
Other non-operating revenues	1,304,301	1,754,497
Total non-operating revenues	51,239,788	44,685,950
Total revenues	**139,520,592**	**134,366,763**
Operating Expenses		
Salaries and Benefits	96,023,863	90,943,646
Scholarships	8,058,732	10,237,541
Depreciation	7,377,635	6,520,993
Other operating expenses	22,085,883	21,096,232
Total operating expenses	**133,546,113**	**128,798,412**
Non-Operating Expenses		
Building fee remittance	2,944,944	3,064,031
Other non-operating expenses	2,809,365	3,016,641
Total non-operating expenses	**5,754,309**	**6,080,673**
Total expenses	139,300,422	134,879,085
Excess (deficiency) before capital contributions	**220,170**	**(512,322)**
Capital appropriations and contributions	**1,419,652**	**3,449,441**
Change in Net position	**1,639,822**	**2,937,118**
Net Position		
Net position, beginning of year	200,398,220	197,461,102
Net position, end of year	**202,038,043**	**200,398,220**

Revenues
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2020, the SBCTC allocated funds to each of the 34 college's based on 3 year average FTE actuals. Additionally, the Supplemental Budget also reduces the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation will continue in FY2021.

Since enrollments decreased in FY 2020, the College's decrease in tuition and fee revenue is primarily attributable to the changes in mix such as decreases in self-support enrollments, decreases in international enrollment, increased baccalaureate enrollments, and increased running start enrollments. This was mitigated to some extent by increased tuition rates.

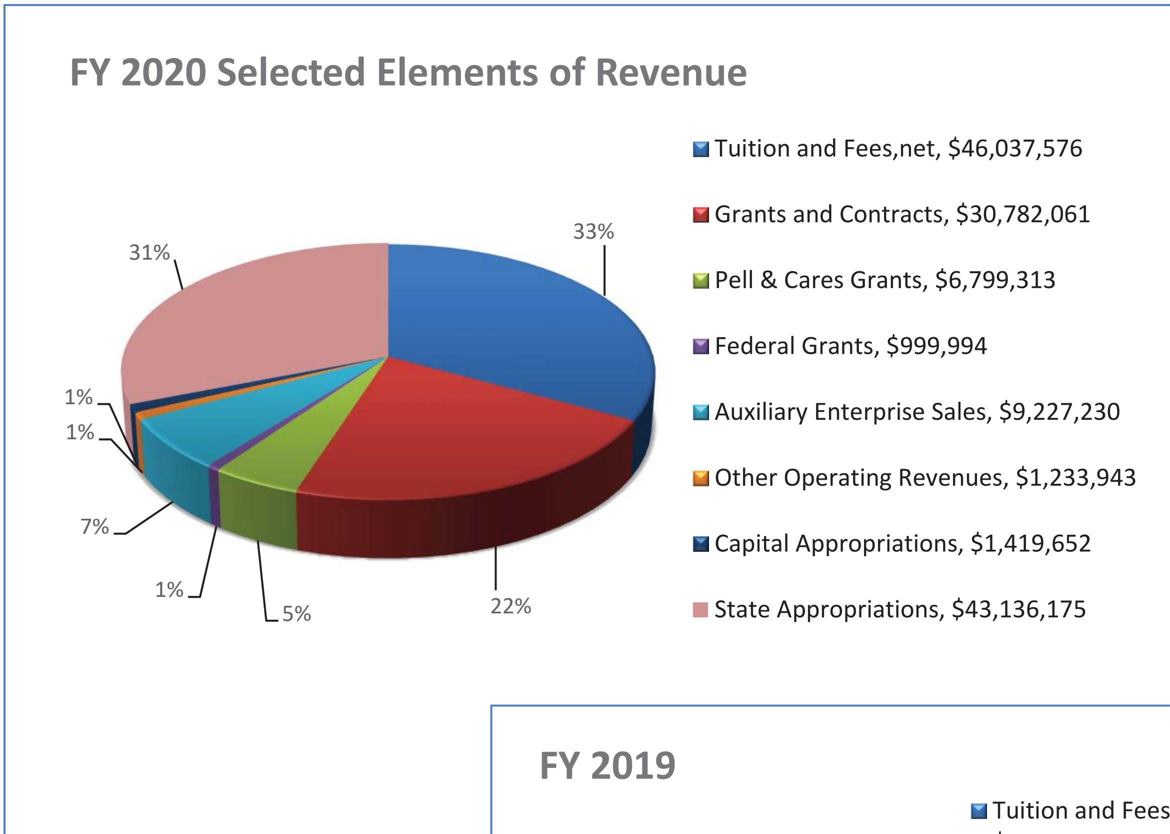
Pell grant revenues generally follow enrollment trends. As the College's allocation-eligible enrollment softened during FY 2020, so did the College's Pell Grant revenue. For FY 2020, the College attempted to hold other fees as stable as possible, resulting in only small changes in these revenues. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law. Examples included remaining self-support baccalaureate programs and intensive English.

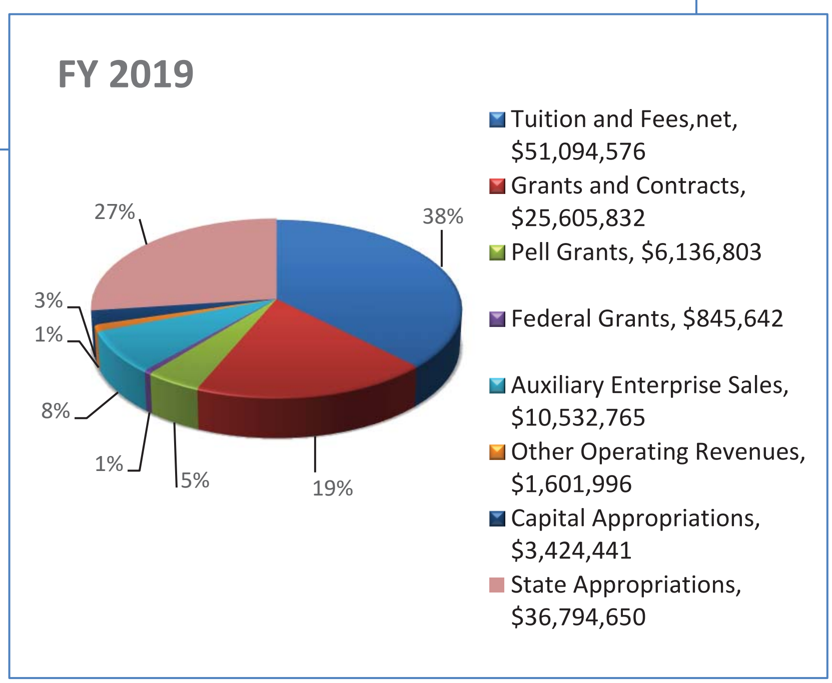
In FY 2020, grant and contract revenues increased by $5,330,580 when compared with FY 2019. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College also serves contracted international students who are not supported by state dollars. In FY 2020, state and local grants and contracts increased by $5,176,229 due to increased Running Start and CEO students.

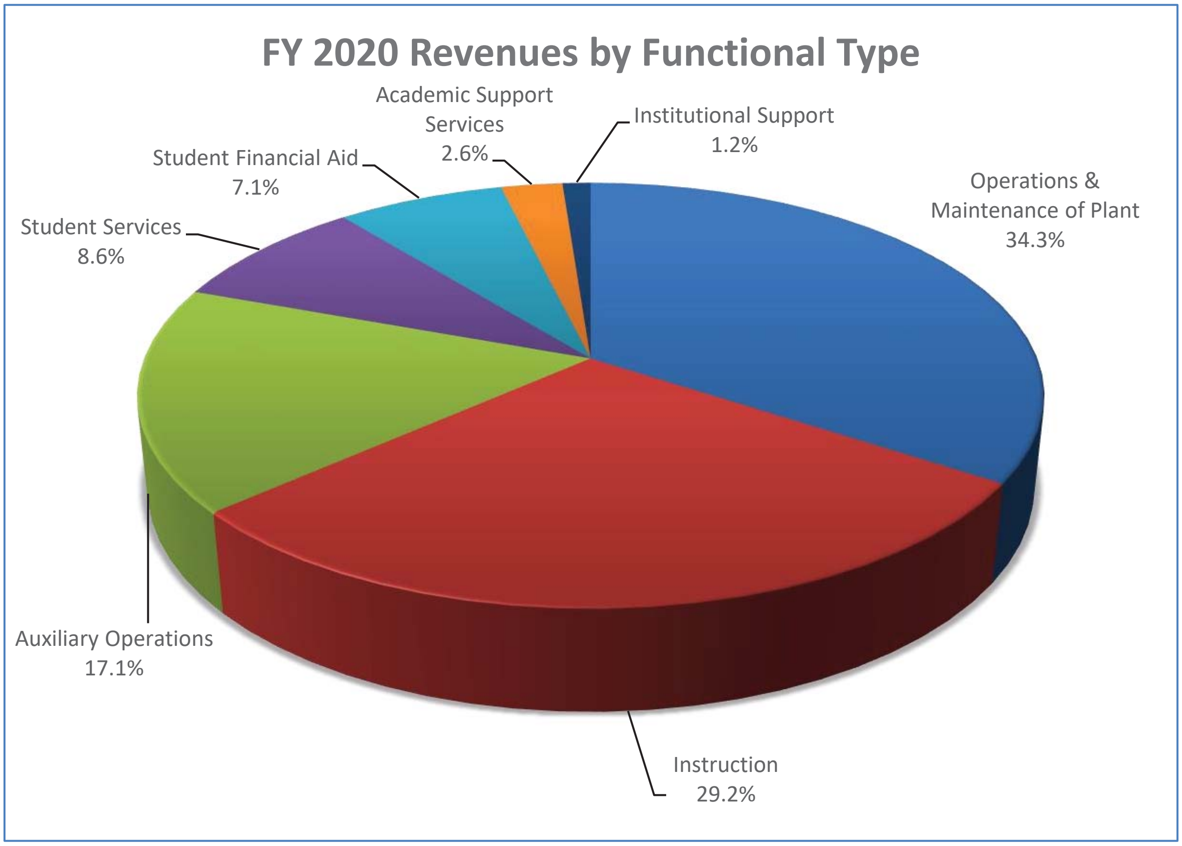
The College receives capital spending authority on a biennial basis and may carry unexpended amounts forward into one or two future biennia, depending on the original purpose of the funding. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement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

Comparison of Selected Operating Revenues by Function

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







Expenses

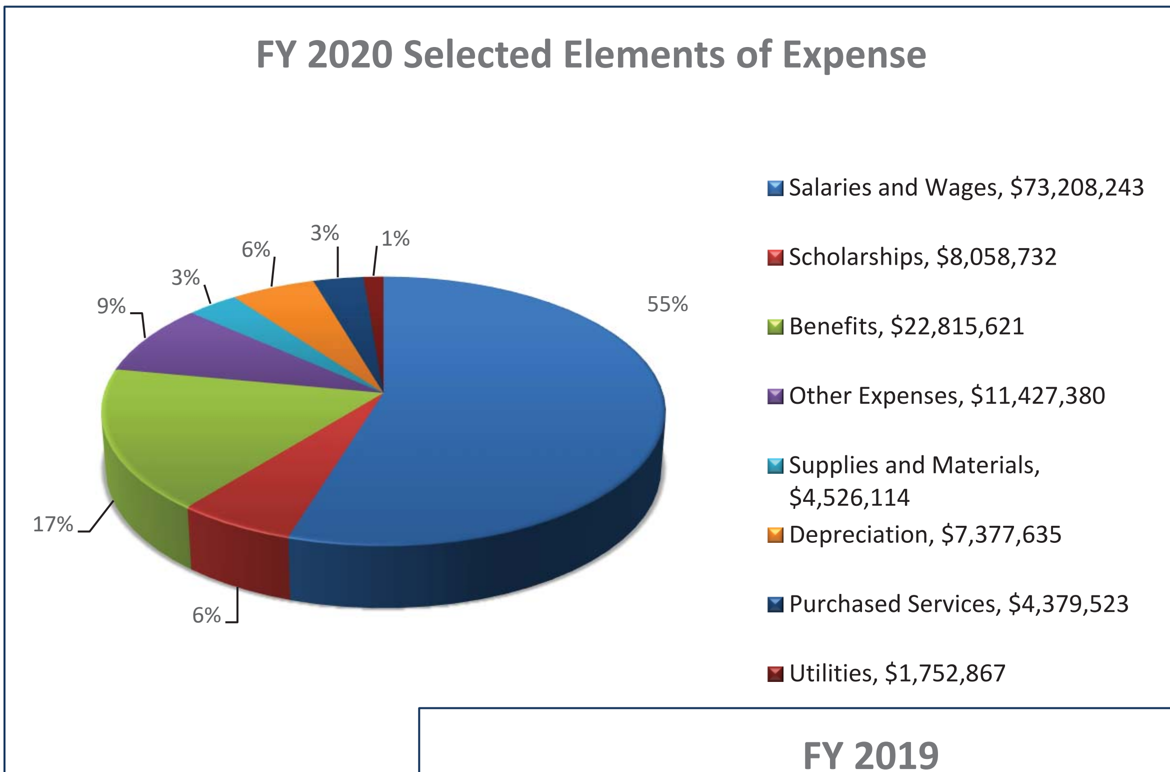
The College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending and services and was subject to various state spending freezes and employee salary reductions.

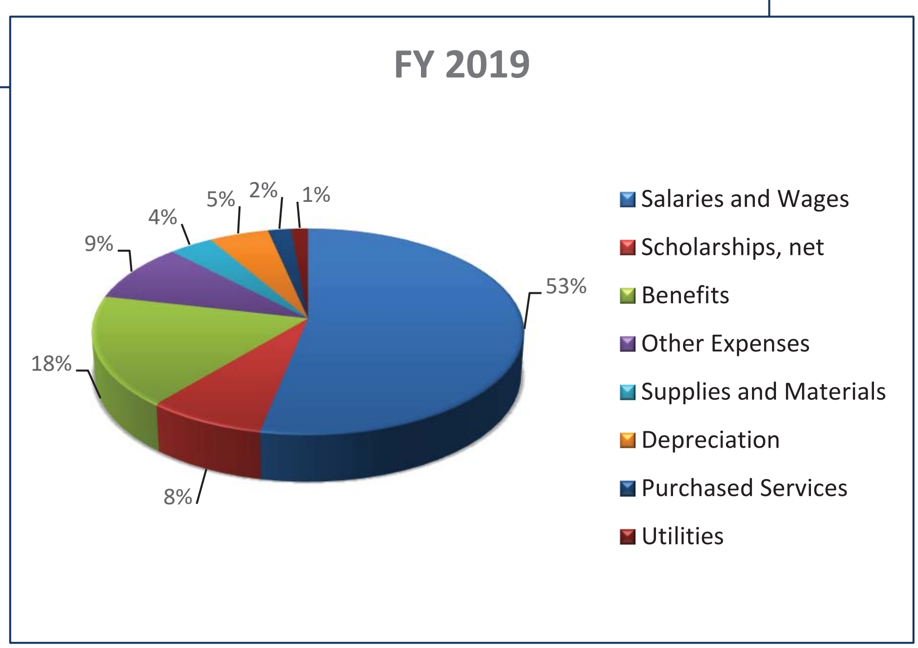
In FY 2020, salary and benefit costs increased as result of the approximate 3.0% salary increase enacted by the Legislature, negotiated increases for classified staff and faculty, and having to compete in the competitive job market in order to replace retiring exempt employees and faculty. Additionally, the Legislation approved a 5% premium pay for all state employees working in King County, as a result of the civil service collective bargaining process being extended to all state employees.

Total utility costs have decreased in FY 2020 as a result of drastically reduced campus occupancy and campus building closures from March 2020 until the end of the fiscal year due to the COVID-19 pandemic. Refuse pickups were halted and building controls were adjusted based on the reduced occupancies. Electric billing inaccuracies in FY 2019 were corrected and charged in January 2020, ultimately resulting in a higher electricity cost for FY 2020. Supplies and materials and purchased services are significantly higher in FY 2020, primarily as a result of increased spending related in contracted services. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs. These fluctuations are to be expected.

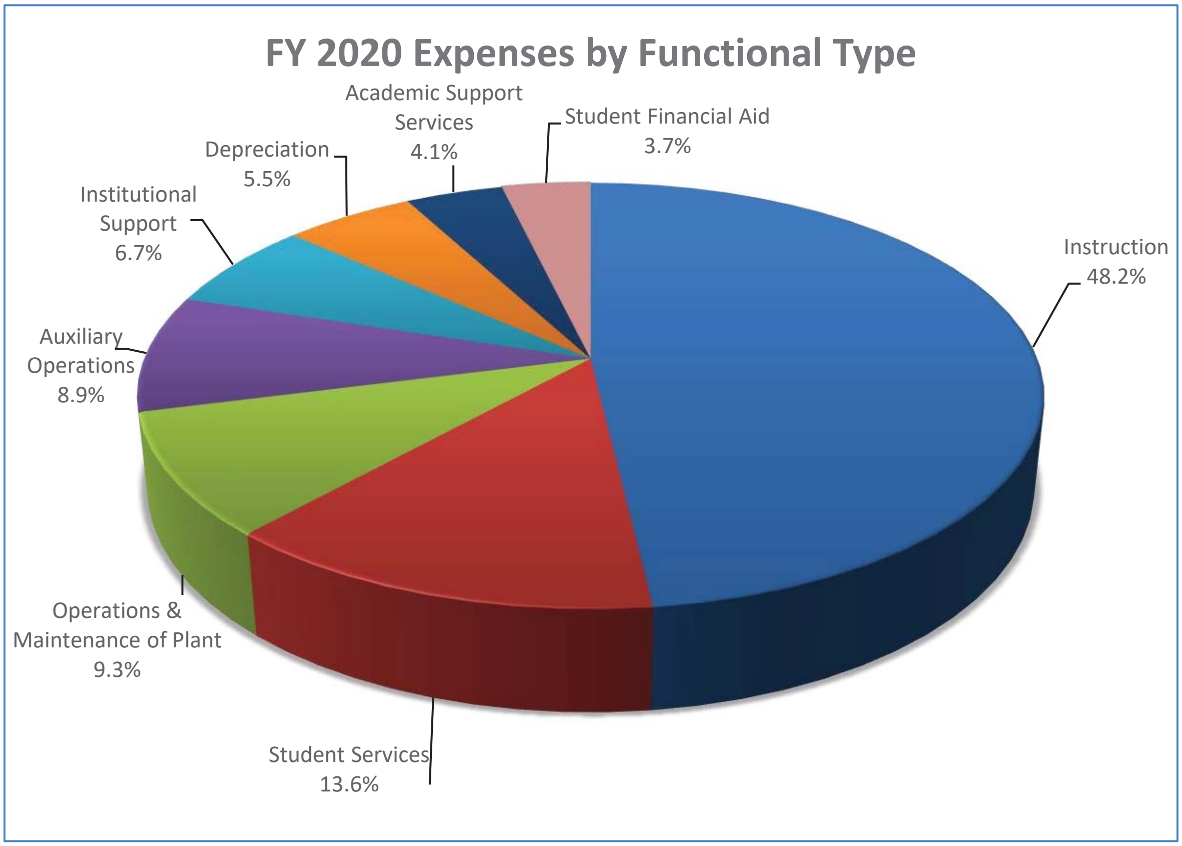
Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service. Travel expenses decreased significantly, in part due to concerted efforts to reduce non-essential expenses throughout the year, in additional to mandatory travel restrictions due to the COVID-19 pandemic in the last quarter of the year.

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





Operating Expenses by Function
The chart below shows the percentage of each functional area of operating expenses for FY 2020.



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

At June 30, 2020, the College had invested $246,115,440 in capital assets, net of accumulated depreciation. This represents an increase of $4,424,011 from last year, as shown in the table below.

Asset Type	June 30, 2020	June 30, 2019	Change
Land	$16,847,880	$16,847,880	$0
Construction in Progress	$173,460	$25,481,990	-$25,308,530
Buildings, net	$218,499,542	$188,282,882	$30,216,660
Other Improvements and Infrastructure, net	$7,711,940	$8,342,312	-$630,372
Equipment, net	$2,657,844	$2,485,694	$172,150
Library Resources, net	$224,774	$250,671	-$25,897
Total Capital Assets, Net	**$246,115,440**	**$241,691,429**	**$4,424,011**

The increase in net capital assets can be attributed to the completion of the Student Success Center building and Gym renovation, as well as normal replacement and acquisition of equipment and library resources. No significant capital projects were in process on June 30, 2020. Additional information on capital assets can be found in Note 6 of the Notes to the Financial Statements.

At June 30, 2020, the College had $51,015,000 in outstanding debt. This represents a decrease of $2,940,000 from last year, as shown in the table below.

	June 30, 2020	June 30, 2019	Change
Certificates of Participation	51,015,000	53,955,000	(2,940,000)
Total	**$ 51,015,000**	**$ 53,955,000**	**$ (2,940,000)**

Additional information of notes payable, long term debt and debt service schedules can be found in Notes 13 and 14 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

COVID19, and a subsequent economic recession presents a considerable potential risk for the college. In late March, the State of Washington put the college on notice of a potential 15% reduction in state allocation for FY2021, due to recession driven loss of tax revenue. That amounts to an annual $6.5 million loss. A quick series of spending freezes and employee furloughs was implemented to mitigate the anticipated loss and a revised 2020-21 budget was established. Based on subsequent economic forecasts, the state advises the allocation cuts may be delayed until FY2022. The college has established a balanced, 4-year recession financial plan.

An additional potential risk occurred as course delivery moved entirely online, due to the COVID19 campus closure. While Bellevue initial enrollment loss was 4%, it has fared significantly better than other colleges within the state community college system. Midyear 2020-21 enrollment data indicates a sharp decline in international students, which was more than offset by an increase in Running Start students. Overall 2020-21 enrollment forecast has increased from -3% to -1%. This combined with a legislative authorized 2.4% tuition rate increase, brings a forecast revision of a 3.5% increase in tuition revenue for FY2021, which is $1.3 million more than the original forecast.

Bellevue College
Statement of Net Position
As of June 30, 2020

Assets	
Current assets	
Cash and cash equivalents	$ 89,752,771
Restricted cash	960,307
Accounts receivable	15,177,525
Inventories	445,527
Total current assets	106,336,130
Non-Current Assets	
Non-depreciable capital assets	17,021,340
Capital assets, net of depreciation	229,094,100
Total non-current assets	246,115,440
Total assets	**352,451,570**
Deferred Outflows of Resources	
Deferred outflows related to pensions	6,664,870
Deferred outflows related to OPEB	4,562,314
Total deferred outflows of resources	11,227,184
Liabilities	
Current Liabilities	
Accounts payable	967,839
Accrued liabilities	4,628,515
Compensated absences, current portion	2,866,054
Deposits payable	2,500
Unearned revenue	8,236,074
Certificates of participation payable, current portion	3,075,000
Total pension liability, current portion	156,192
OPEB liability, current portion	770,597
Total current liabilities	20,702,769
Non-Current Liabilities	
Compensated absences	4,925,251
Certificates of participation payable, non-current portion	55,121,463
Net pension liability	6,684,207
Total pension liability	10,618,137
OPEB liability	43,919,717
Total non-current liabilities	121,268,775
Total liabilities	**141,971,545**
Deferred Inflows of Resources	
Deferred inflows related to pensions	5,618,365
Deferred inflows related to OPEB	14,050,802
Total deferred inflows of resources	19,669,167
Net Position	
Net Investment in Capital Assets, net of related debt	187,918,977
Restricted for:	
Expendable	960,307
Unrestricted	13,158,759
Total Net Position	**$ 202,038,043**

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

(See accompanying note to the financial statements)

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

Operating Revenues		
Student tuition and fees, net of scholarship discounts and allowances	$	46,037,576
Auxiliary enterprise sales		9,227,230
State and local grants and contracts		30,782,061
Federal grants and contracts		999,994
Other operating revenues		1,233,943
Total operating revenue		88,280,804
Operating Expenses		
Repairs & Maintenance		1,898,484
Printing & Graphics		808,770
Software Licensing		1,769,088
Travel		723,062
Equipment		1,549,573
Other operating expenses		4,678,403
Salaries and wages		73,208,243
Benefits		22,815,621
Scholarships and fellowships		8,058,732
Supplies and materials		4,526,114
Depreciation		7,377,635
Purchased services		4,379,523
Utilities		1,752,867
Total operating expenses		133,546,113
Operating income (loss)		(45,265,309)
Non-Operating Revenues (Expenses)		
State appropriations		43,136,175
Federal non-operating revenue		1,351,479
Federal Pell grant revenue		5,447,834
Investment income, gains and losses		1,304,301
Building fee remittance		(2,944,944)
Innovation fund remittance		(763,927)
Interest on indebtedness		(2,045,438)
Net non-operating revenue (expenses)		**45,485,479**
Income or (loss) before other revenues, expenses, gains, or losses		220,170
Capital Contributions		
Capital appropriations		1,419,652
Increase (Decrease) in net position		1,639,822
Net Position		
Net position, beginning of year		200,398,220
Net position, end of year	$	202,038,043

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

(See accompanying note to the financial statements)

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

Cash flows from operating activities		
Student tuition and fees	$	46,644,871
Grants and contracts		26,856,231
Payments to vendors		(8,350,548)
Payments for utilities		(733,802)
Payments to employees		(72,356,837)
Payments for benefits		(23,084,385)
Auxiliary enterprise sales		9,088,964
Payments for scholarships and fellowships		(9,589,367)
Other receipts		720,521
Other payments		(10,878,572)
Net cash used by operating activities		(41,682,923)
Cash flows from noncapital financing activities		
State appropriations		39,956,311
Pell grants		5,447,834
Amounts for other than capital purposes		1,351,479
Building fee remittance		(3,088,837)
Innovation fund remittance		(753,877)
Net cash provided by noncapital financing activities		42,912,911
Cash flows from capital and related financing activities		
Capital appropriations		1,383,013
Purchases of capital assets		(16,291,363)
Principal paid on capital debt		(2,940,000)
Interest paid		(2,640,500)
Net cash used by capital and related financing activities		(20,488,850)
Cash flows from investing activities		
Purchase of investments		13,994,685
Income of investments		1,471,962
Net cash provided by investing activities		15,466,646
Increase in cash and cash equivalents		(3,792,216)
Cash and cash equivalents at the beginning of the year		94,505,295
Cash and cash equivalents at the end of the year		90,713,078
Reconciliation of Operating Loss to Net Cash used by Operating Activities		
Operating Loss		(45,265,309)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense		7,377,635
Changes in assets and liabilities		
Receivables, net		(5,358,019)
Inventories		32,009
Other assets		-
Accounts payable		(428,466)
Accrued liabilities		873,233
Unearned revenue		469,633
Compensated absences		1,061,556
Pension liability adjustment		(446,295)
Deposits payable		1,100
Loans to students and employees		-
Net cash used by operating activities	$	(41,682,924)

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

BELLEVUE COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	June 30, 2020	June 30, 2019
ASSETS		
Cash and cash equivalents	$351,572	$383,296
Marketable securities - Notes 3 and 6	12,270,542	10,700,057
Contributions held in trust by others - Notes 4 and 6	2,690,569	2,783,374
Equity method investment - Notes 5 and 6	-	182,405
Donations receivable	3,661	9,889
Pledges receivable, net - Notes 1 and 2	142,044	283,662
Prepaid expenses	10,178	12,356
Total assets	$15,468,566	$14,355,039
LIABILITIES		
Accounts payable	$19,003	$16,044
Grants payable - Note 1	131,483	95,149
Total liabilities	150,486	111,193
NET ASSETS		
Without donor restrictions	1,440,244	1,698,612
With donor restrictions	13,877,836	12,545,234
Total net assets	15,318,080	14,243,846
Total liabilities and net assets	$15,468,566	$14,355,039

The accompanying notes are an integral part of these financial statements

BELLEVUE COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020
(With comparative totals for the year ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Contributions:				
Current gifts	$225,111	$1,067,861	$1,292,972	$1,875,649
Endowments	-	1,937,231	1,937,231	369,044
In-kind contributions - Note 7	156,234	42,949	199,183	516,850
Earned income:				
Investment earnings (loss) - Note 3	(96,954)	(170,589)	(267,543)	208,924
Joint College activities	-	65,025	65,025	69,250
Custodial management fee	81,020	-	81,020	63,664
External trust earnings - Notes 4 and 6	-	8,766	8,766	47,543
Earned event revenue	-	4,849	4,849	16,091
Total support and revenue	365,411	2,956,092	3,321,503	3,167,015
Net assets released from restrictions - Note 8	1,623,490	(1,623,490)	-	-
Total	1,988,901	1,332,602	3,321,503	3,167,015
Expenses:				
Program:	1,236,477	-	1,236,477	1,257,827
General and administrative:	624,120	-	624,120	566,266
Fundraising:	386,672	-	386,672	453,664
Total expenses	2,247,269	-	2,247,269	2,277,757
Increase (decrease) in net assets	(258,368)	1,332,602	1,074,234	889,258
Net assets at beginning of year	1,698,612	12,545,234	14,243,846	13,354,588
Net assets at end of year	$1,440,244	$13,877,836	$15,318,080	$14,243,846

The accompanying notes are an integral part of these financial statements

BELLEVUE COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019
(With comparative totals for the year ended June 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Contributions:				
Current gifts	$397,940	$1,477,709	$1,875,649	$1,533,335
Endowments	-	369,044	369,044	154,203
In-kind contributions - Note 7	172,243	344,607	516,850	981,099
Earned income:				
Investment earnings - Note 3	65,752	143,172	208,924	604,728
Joint College activities	-	69,250	69,250	101,967
Custodial management fee	63,664	-	63,664	53,500
External trust earnings - Notes 4 and 6	-	47,543	47,543	229,837
Earned event revenue	2,780	13,311	16,091	14,902
Gain on sale of donated real estate	-	-	-	94,465
Total support and revenue	702,379	2,464,636	3,167,015	3,768,036
Net assets released from restrictions - Note 8	1,670,393	(1,670,393)	-	-
Total	2,372,772	794,243	3,167,015	3,768,036
Expenses:				
Program	1,257,827	-	1,257,827	1,268,034
General and administrative:	566,266	-	566,266	582,859
Fundraising:	453,664	-	453,664	476,846
Total expenses	2,277,757	-	2,277,757	2,327,739
Increase in net assets	95,015	794,243	889,258	1,440,297
Net assets at beginning of year	1,591,982	11,762,606	13,354,588	11,914,291
Reclassification - Note 9	11,615	(11,615)	-	-
Net assets at end of year	$1,698,612	$12,545,234	$14,243,846	$13,354,588

The accompanying notes are an integral part of these financial statements

BELLEVUE COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Increase in net assets	$1,074,234	$889,258
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Increase (decrease) in allowance on pledges receivable	(8,020)	8,076
Decrease in discount on pledges receivable	(2,803)	(57)
Gain on sale of marketable securities, net	(101)	(78,444)
Unrealized loss on marketable securities	578,659	217,564
Contribution of limited liability company member units	-	(182,401)
Changes in operating assets and liabilities		
Contributions held in trust by others	92,805	54,070
Donations receivable	6,228	(7,409)
Pledges receivable	152,441	(130,445)
Prepaid expenses	2,178	5,958
Payables	39,293	57,330
Net cash provided by operating activities	1,934,914	833,500
Cash flows from investing activities:		
Proceeds from sale or maturity of marketable securities	42,050	485,643
Purchases of marketable securities	(2,191,093)	(1,074,213)
Proceeds from liquidation of limited liability company member units	182,405	-
Net cash used in investing activities	(1,966,638)	(588,570)
Net increase (decrease) in cash and cash equivalents	(31,724)	244,930
Cash and cash equivalents		
Beginning of period	383,296	138,366
End of period	$351,572	$383,296

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

June 30, 2020

These notes form an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

Bellevue College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers applied baccalaureate and associates degrees, certificates and high school diplomas. It is governed by a six-member Board of Trustees appointed by the Governor and confirmed by the state Senate. The College is an agency of the State of Washington. The financial activity of the college is included in the State's Comprehensive Annual Financial Report. These notes form an integral part of the financial statements.

The Bellevue College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1978 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to aid and assist in the development, maintenance, promotion, growth and preservation of Community College District VIII, and to provide or grant scholarships and assistance to men and women of promise. KBCS 91.3 is an operating unit of Bellevue College and is supported by memberships and gifts. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the college or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2020, the Foundation distributed approximately $1,236,477 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 425-564-2386.

Basis of Presentation

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

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

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

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

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

Cash, Cash Equivalents and Investments
Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College records all cash, cash equivalents, and investments at fair value with the exception of the LGIP which is recorded at amortized cost.

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 equivalents, certificates of deposit, and U.S. Treasuries and U.S. Agency securities.

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

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

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

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

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

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

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

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

(including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The College also reports its share of the pension liability for the State Board Retirement Plan in accordance with GASB 73 Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 (Accounting and Financial Reporting for Pensions). The reporting requirements are similar to GASB 68 but use current fiscal yearend as the measurement date for reporting the pension liabilities.

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

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

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

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

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

Net Position

The College's net position is classified as follows.

- Net Investment in Capital Assets. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- Restricted for Nonexpendable. This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principle. The college is not reporting any balance in this category.
- Restricted for Expendable. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
- Unrestricted. These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

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

Classification of Revenues and Expenses

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

Operating Revenues. This includes activities that are directly related to the principal operations of the College, such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) federal, state and local grants and contracts that primarily support the operational/educational activities of the colleges. Examples include a contract with OSPI to offer Running Start and/or Technical High School. The college also receives Adult Basic Education grants that support the primary educational mission of the college.

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

Non-operating Revenues. This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government. In FY 2020, non-operating revenues also included funds received through the federal CARES act.

Non-operating Expenses. Non-operating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on the Certificate of Participation Loans.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2020 are $7,714,970.

State Appropriations

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

Building and Innovation Fee Remittance

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

Note 2 - Accounting and Reporting Changes

Accounting Standards Impacting the Future

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

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

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

Note 3 - Deposits and Investments

Deposits

Cash and cash equivalents include bank demand deposits, petty cash held at the College and unit shares in the Washington State Treasurer's Local Government Investment Pool (LGIP). The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates. For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Investments in Local Government Investment Pool (LGIP)

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

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

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

As of June 30, 2020, the carrying amount of the College's cash and equivalents was $90,713,078 as represented in the table below.

Cash and Cash Equivalents		June 30, 2020
Petty Cash and Change Funds	$	15,665
Bank Demand and Time Deposits		20,816,512
Local Government Investment Pool		69,880,901
Total Cash and Cash Equivalents	**$**	**90,713,078**

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

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

Interest Rate Risk—Investments
The College manages its exposure to interest rate changes by limiting the duration of investments to mature at various points in the year. To minimize the risk that historically low rates would rise, the college generally keeps the average maturity of investments below 2 years. The College will periodically review the level of interest rates to determine whether longer maturities become less risky. The College has not invested in maturities longer than 5 years in recent years, to minimize interest rate risk. During FY 2020, interest rates were again at a historically low level. The college allowed investments to mature and transferred the principle to the LGIP, where higher rates held steady during the early months of the COVID-19 pandemic.

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

Investment Expenses
Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2020 were $115.00.

Note 4 - Accounts Receivable

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

Accounts Receivable		Amount
Student Tuition and Fees	$	580,584
Due from the Federal Government		49,217
Due from Other State Agencies		2,043,393
Auxiliary Enterprises		399,563
Other		12,133,939
Subtotal		15,206,696
Less Allowance for Uncollectible Accounts		(29,171)
Accounts Receivable, net	**$**	**15,177,525**

Note 5 – Inventories

Inventories as of June 30, 2020, were as follows:

Inventories	Method		Amount
Consumable Inventories	FIFO	$	22,955
Merchandise Inventories	FIFO		422,572
Inventories		**$**	**445,527**

Note 6 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2020 is presented as follows. The current year depreciation expense was $7,377,635.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	$ 16,847,880	$ -	$ -	$ 16,847,880
Construction in progress	25,481,990	(25,308,529)	-	173,460
Total capital assets, non-depreciable	42,329,870	(25,308,529)	-	17,021,340
Capital assets, depreciable				
Buildings	254,349,547	36,334,259	-	290,683,805
Other improvements and infrastructure	15,499,891	-	-	15,499,891
Equipment	14,845,597	728,100	(565,469)	15,008,228
Library resources	1,200,991	47,819	(226,501)	1,022,309
Total capital assets, depreciable	285,896,026	37,110,178	(791,970)	322,214,234
Less accumulated depreciation				
Buildings	66,066,665	6,117,598	-	72,184,264
Other improvements and infrastructure	7,157,581	630,370	-	7,787,951
Equipment	12,359,903	555,950	(565,469)	12,350,384
Library resources	950,320	73,717	(226,501)	797,536
Total accumulated depreciation	86,534,469	7,377,635	(791,970)	93,120,135
Total capital assets, depreciable, net	199,361,557	29,732,543	-	229,094,100
Capital assets, net	**$241,691,426**	**$ 4,424,013**	**$ -**	**$246,115,440**

Note 7 - Accounts Payable and Accrued Liabilities

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

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 2,914,530
Accounts Payable	967,839
Amounts Held for Others and Retainage	1,713,984
Total	**$ 5,596,353**

Note 8 - Unearned Revenue

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

Unearned Revenue		Amount
Summer & Fall Quarter Tuition & Fees	$	(7,903,293)
Housing and Other Deposits		(332,781)
Total Unearned Revenue	$	(8,236,074)

Note 9 - Risk Management

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

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

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2019 through June 30, 2020, were $223,040. Cash reserves for unemployment compensation for all employees at June 30, 2020, were $36,265.

Note 10 - Compensated Absences

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

An estimated amount, based on a three-year average payout, is accrued as a current liability. The remaining amount of accrued annual and sick leave are categorized as non-current liabilities. Compensatory time, totaling $618 at June 30, 2020, is categorized as a current liability since it must be used before other leave. The current portion of accrued vacation leave totaled $2,146,775 and the non-current portion of accrued vacation leave totaled $995,423 at June 30, 2020. The current portion of accrued sick leave totaled $718,661 and the non-current portion of accrued sick leave totaled $3,929,828 at June 30, 2020.

Note 11 - Leases Payable

Capital Leases
The College did not finance capital asset purchases through the Washington State Treasurer's leasing program during the 2019-20 year.

Operating Leases
The College also has leases for office equipment with various vendors. These leases are classified as operating leases.

As of June 30, 2020, the minimum lease payments under operating leases consist of the following:

Fiscal year	Operating Leases	
2021	$	214,916
2022		214,399
2023		197,982
2024		90,291
2025		23,573
2026-2030		6,891
Total minimum lease payments	**$**	**748,052**

Note 12 - Notes Payable

In December 2003, the College obtained financing in order to construct the Parking Garage through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $16,120,000. Students assessed themselves, on a quarterly basis, a mandatory fee to service the debt starting in 2003. The college refinanced the Parking Garage COP in 2013 in the amount of $8,255,000 with an 11 year term and 1.83% interest rate. Student fees related to the COP(s) are accounted for in a dedicated fund, which is used to pay principal and interest, not coming out of the general operating budget.

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

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

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

Note 13 - Annual Debt Service Requirements

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

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2021	$ 3,075,000	$ 2,503,725	$ 5,578,725
2022	3,220,000	2,358,350	5,578,350
2023	3,370,000	2,206,000	5,576,000
2024	2,490,000	2,046,500	4,536,500
2025	2,620,000	1,920,875	4,540,875
2026-2030	14,065,000	7,514,125	21,579,125
2031-2035	12,835,000	4,323,250	17,158,250
2036-2040	9,340,000	949,000	10,289,000
2041-2045	-	-	-
Total	**$ 51,015,000**	**$ 23,821,825**	**$ 74,836,825**

Note 14 - Schedule of Long Term Liabilities

	Balance outstanding 6/30/19	Additions	Reductions	Balance outstanding 6/30/20	Current portion
Certificates of Participation	**$ 61,733,725**	$ -	$ 3,537,262	**$ 58,196,463**	$ 3,075,000
Compensation absences	**6,727,313**	4,063,768	3,000,394	**7,790,687**	2,866,054
Net pension liability	**8,572,866**	4,444,270	6,332,930	**6,684,207**	-
Total pension liability	**8,092,457**	10,930,520	8,248,648	**10,774,329**	156,192
OPEB liability	**39,761,281**	21,644,432	16,715,399	**44,690,314**	770,597
Total	**$ 124,887,642**	**$41,082,991**	**$37,834,633**	**$ 128,136,000**	**$6,867,842**

Note 15 - Retirement Plans

A. General

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

Basis of Accounting

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

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

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

Aggregate Pension Amounts - All Plans

Pension Liabilities	$	17,458,535
Deferred outflows of resources related to pensions	$	6,664,870
Deferred inflows of resources related to pensions	$	5,618,365
Pension Expense	$	1,244,496

Department of Retirement Systems

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

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

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

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

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

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

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

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

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

PERS
Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme Court, Court of Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national

higher education retirement programs; judges of district and municipal courts; and employees of local governments.

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

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by

February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002 have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

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

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

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

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

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

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

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

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

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

TRS

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

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

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

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

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

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

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

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

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

Contributions

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

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

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

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rate	12.86%	12.86%	15.51%	15.51%
Actual Contributions	$ 854,101	$ 1,417,788	$ 137,315	$ 132,608

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

Actuarial Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 5,622,994	$ 4,490,067	$ 3,507,104
PERS 2/3	11,192,865	1,459,380	(6,527,588)
TRS 1	790,457	618,456	469,257
TRS 2/3	706,695	129,671	(339,488)

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

Pension Liabilities. At June 30, 2020, the College reported a total pension liability of $6,684,207 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 4,486,178
PERS 2/3	1,454,673
TRS 1	616,025
TRS 2/3	127,331

The College's proportionate share of pension liabilities for fiscal years ending June 30, 2019 and June 30, 2020 for each retirement plan are listed below:

	2019	2018	Change
PERS 1	0.11677%	0.11558%	0.00119%
PERS 2/3	0.15024%	0.14815%	0.00209%
TRS 1	0.02498%	0.02663%	-0.00165%
TRS 2/3	0.02152%	0.02304%	-0.00152%

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

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

	Pension Expense
PERS 1	$ 264,220
PERS 2/3	252,572
TRS 1	(18,639)
TRS 2/3	98,033
TOTAL	596,186

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

	PERS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	299,974
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	854,101	-
Totals	**$ 854,101**	**$ 299,974**

	PERS 2/3	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	418,116	313,759
Difference between expected and actual earnings of pension plan investments	-	2,124,263
Changes of assumptions	37,370	612,307
Changes in College's proportionate share of pension liabilities	319,772	159,900
Contributions subsequent to the measurement date	1,417,788	-
Totals	**$ 2,193,046**	**$ 3,210,229**

	TRS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	47,431
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	137,315	-
Totals	**$ 137,315**	**$ 47,431**

	TRS 2/3	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	90,163	4,172
Difference between expected and actual earnings of pension plan investments	-	111,952
Changes of assumptions	48,886	34,454
Changes in College's proportionate share of pension liabilities	28,647	11,266
Contributions subsequent to the measurement date	132,608	-
Totals	**$ 300,303**	**$ 161,844**

The $3,484,767 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2021.

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

Year ended June 30:	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**
2021	(66,221)	(645,282)	(9,736)	(5,199)
2022	(156,858)	(1,062,803)	(25,463)	(37,318)
2023	(55,976)	(456,069)	(8,954)	(8,000)
2024	(20,919)	(231,329)	(3,277)	3,530
2025	-	(70,072)	-	12,970
Thereafter	-	30,584	-	39,868
Total	**$ (299,974)**	**$ (2,434,971)**	**$ (47,431)**	**$ 5,851**

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

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

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2020 were each $3,896,139.

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

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

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

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

The SRP pension benefits are unfunded. For the year ended June 30, 2020, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of $1,785,348,000. The College's share of this amount was $648,309. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2020, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $45,474,306. This amount was not used as a part of GASB 73 calculations its status as an asset has not been determined by the Legislature. As of June 30, 2019, the Community and Technical College system accounted for $23,208,875 of the fund balance.

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

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

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

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

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

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

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

Pension Expense. Pension expense for the fiscal year ending June 30, 2020 was 648,309.

Proportionate Share (%)	
Dollars in thousands	
Service Cost	$ 258,306
Interest Cost	290,564
Amortization of Difference Between Expected and Actual Experience	(185,815)
Amortization of Changes of Assumptions	271,832
Changes of Benefit Terms	-
Administrative Expenses	-
Other Changes in Fiduciary Net Position	-
Proportionate Share of Collective Pension Expense	**$ 634,887**
Amortization of the Change in Proportionate Share of TPL	13,422
Total Pension Expense	**$ 648,309**

Proportionate Shares of Pension Liabilities. The College's proportionate share of pension liabilities for fiscal year ending June 30, 2020 was 7.35%. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating College's. The College's change in proportionate share of the total pension liability and deferred inflows and deferred outflows of resources are represented in the following table:

Proportionate Share (%) 2019	**7.33%**
Proportionate Share (%) 2020	**7.35%**
Total Pension Liability - Ending 2019	$ 8,092,457
Total Pension Liability - Beginning 2020	8,108,536
Total Pension Liability - Change in Proportion	16,079
Total Deferred Inflow/Outflows - 2019	967,435.13
Total Deferred Inflow/Outflows - 2020	969,356.77
Total Deferred Inflows/Outflows - Change in Proportion	1,922
Total Change in Proportion	**$ 18,000**

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

	Number of Participating Members			
Plan	**Inactive Members or Beneficiaries Currently Receiving Benefits**	**Inactive Members Entitled to But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
SRP	0	30	332	362

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

Schedule of Changes in Total Pension Liability	
	Amount
Service Cost	$ 258,306
Interest	290,564
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	612,224
Changes in Assumptions	1,635,844
Benefit Payments	(131,146)
Change in Proportionate Share of TPL	16,074
Other	-
Net Change in Total Pension Liability	2,681,866
Total Pension Liability - Beginning	8,092,457
Total Pension Liability - Ending	**$ 10,774,323**

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

1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
$ 12,389,538	$ 10,774,328	$ 9,443,546

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

At June 30, 2019, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 870,764	$ 1,359,146
Changes of Assumptions	2,050,694	$ 369,618
Changes in College's proportionate share of pension liability	258,645	$ 170,123
Transactions Subsequent to the Measurement Date	-	-
Total	**$ 3,180,104**	**$ 1,898,886**

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

	State Board Supplemental Retirement Plan
2021	99,440.24
2022	99,440.24
2023	99,440.24
2024	220,497.04
2025	402,155.70
Thereafter	360,266.83

Note 16 - Other Post-Employment Benefits

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

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

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

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

Summary of Plan Participants
As of June 30, 2019

Active Employees*	944
Retirees Receiving Benefits**	282
Retirees Not Receiving Benefits***	47
Total Active Employees and Retirees	1,273

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

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

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

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

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

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

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

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

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

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

Total OPEB Liability

As of June 30, 2019, the state reported a total OPEB liability of $5.804 billion. The College's proportionate share of the total OPEB liability is $44,690,314 This liability was determined based on a measurement date of June 30, 2019.

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

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

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

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

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

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

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

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

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

Changes in Total OPEB Liability

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

Bellevue College

Proportionate Share (%)		0.7700102934%
Service Cost	$	1,809,536
Interest Cost		1,569,669
Differences Between Expected and Actual Experienc		-
Changes in Assumptions*		2,923,138
Changes of Benefit Terms		-
Benefit Payments		(718,029)
Changes in Proportionate Share		(655,281)
Other		-
Net Change in Total OPEB Liability		4,929,033
Total OPEB Liability - Beginning		39,761,281
Total OPEB Liability - Ending	**$**	**44,690,314**

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

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

Discount Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 54,118,474	$ 44,690,314	$ 37,367,426

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

Health Care Cost Trend Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 36,170,023	$ 44,690,314	$ 56,157,330

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

For the year ending June 30, 2020, the College will recognize OPEB expense of $1,766,125 OPEB expense consists of the following elements:

Bellevue College		
Proportionate Share (%)		**0.7700102934%**
Service Cost	$	1,809,536
Interest Cost		1,569,669
Amortization of Differences Between Expected and Actual Experience		170,482
Amortization of Changes in Assumptions		(1,636,597)
Changes of Benefit Terms		-
Amortization of Changes in Proportion		(146,965)
Administrative Expenses		-
Total OPEB Expense	**$**	**1,766,125**

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

Bellevue College				
Proportionate Share (%)		**0.7700102934%**		
Deferred Inflows/Outflows of Resources		**Deferred Inflows**		**Deferred Outflows**
Difference between expected and actual experience	$	1,193,373	$	-
Changes in assumptions		2,598,344		12,957,646
Transactions subsequent to the measurement date		770,597		-
Changes in proportion		-		1,093,156
Total Deferred Inflows/Outflows	**$**	**4,562,314**	**$**	**14,050,802**

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 (%)		0.7700102934%
2021	$	(1,613,081)
2022	$	(1,613,081)
2023	$	(1,613,081)
2024	$	(1,613,081)
2025	$	(1,613,081)
Thereafter	$	(2,193,680)

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

Proportionate Share (%) 2018		**0.7829129846%**
Proportionate Share (%) 2019		**0.7700102934%**
Total OPEB Liability - Ending 2018	$	39,761,281
Total OPEB Liability - Beginning 2019		39,106,000
Total OPEB Liability Change in Proportion		(655,281)
Total Deferred Inflows/Outflows - 2018		(13,052,259)
Total Deferred Inflows/Outflows - 2019		(12,837,153)
Total Deferred Inflows/Outflows Change in Proportion		215,106
Total Change in Proportion	**$**	**(870,387)**

Note 17 - Operating Expenses by Program

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

Expenses by Functional Classification		
Instruction	$	64,307,501
Academic Support Services		5,496,926
Student Services		18,097,758
Institutional Support		8,968,680
Operations and Maintenance of Plant		12,435,358
Scholarships and Other Student Financial Aid		4,988,749
Auxiliary enterprises		11,873,505
Depreciation		7,377,635
Total operating expenses	**$**	**133,546,113**

Note 18 - Commitments and Contingencies

The College has commitments of $8,546,853 for various capital improvement projects that include completion and furnishing of the Student Success Center, pre-design of the Transdisciplinary Building, and B-Building classroom and office renovation.

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

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

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

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

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

Cost Sharing Employer Plans

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

Schedule of Bellevue College's Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.150600%	$ 3,044,474	$ 12,905,136	23.59%	93.29%
2015	0.155700%	$ 5,562,929	$ 13,873,237	40.10%	89.20%
2016	0.144939%	$ 7,297,581	$ 13,445,510	54.28%	85.82%
2017	0.139418%	$ 4,844,109	$ 13,532,772	35.80%	90.97%
2018	0.148151%	$ 2,529,546	$ 15,380,516	16.45%	95.77%
2019	0.150244%	$ 1,454,673	$ 16,390,762	8.87%	97.77%
2020					
2021					
2022					
2023					

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

Cost Sharing Employer Plans

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

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

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

Cost Sharing Employer Plans

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

Schedule of Bellevue College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.013797%	$ 44,563	$ 583,151	7.64%	96.81%
2015	0.017530%	$ 147,918	$ 818,639	18.07%	92.48%
2016	0.021070%	$ 289,361	$ 1,040,358	27.81%	88.72%
2017	0.022429%	$ 207,007	$ 1,229,760	16.83%	93.14%
2018	0.023044%	$ 103,724	$ 1,283,434	8.08%	96.88%
2019	0.021521%	$ 127,331	$ 1,466,547	8.68%	96.36%
2020					
2021					
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions for Bellevue College

Public Employees' Retirement System (PERS) Plan 1

Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 523,746	$ 523,746	$ -	$12,971,801	4.04%
2015	$ 554,045	$ 554,045	$ -	$13,873,237	3.99%
2016	$ 641,719	$ 641,719	$ -	$13,445,510	4.77%
2017	$ 655,578	$ 655,578	$ -	$13,532,772	4.84%
2018	$ 774,706	$ 774,706	$ -	$15,389,151	5.03%
2019	$ 841,149	$ 841,149	$ -	$16,413,847	5.12%
2020	$ 854,101	$ 854,101	$ -	$17,917,126	4.77%
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions for Bellevue College Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 636,258	$ 636,258	$ -	$12,905,136	4.93%
2015	$ 693,530	$ 693,530	$ -	$13,873,237	5.00%
2016	$ 836,722	$ 836,722	$ -	$13,445,510	6.22%
2017	$ 851,548	$ 851,548	$ -	$13,532,772	6.29%
2018	$ 1,151,914	$ 1,151,914	$ -	$15,380,516	7.49%
2019	$ 1,231,803	$ 1,231,803	$ -	$16,390,762	7.52%
2020	$ 1,417,788	$ 1,417,788	$ -	$17,901,551	7.92%
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions for Bellevue College
Teachers' Retirement System (TRS) Plan 1
Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 38,444	$ 38,444	$ -	$ 711,902	5.40%
2015	$ 51,773	$ 51,773	$ -	$ 963,352	5.37%
2016	$ 66,911	$ 66,911	$ -	$ 1,200,864	5.57%
2017	$ 90,987	$ 90,987	$ -	$ 1,340,742	6.79%
2018	$ 110,754	$ 110,754	$ -	$ 1,437,740	7.70%
2019	$ 126,488	$ 126,488	$ -	$ 1,586,012	7.98%
2020	$ 137,315	$ 137,315	$ -	$ 1,761,464	7.80%
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions for Bellevue College Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 33,853	$ 33,853	$ -	$ 583,151	5.81%
2015	$ 46,585	$ 46,585	$ -	$ 818,639	5.69%
2016	$ 84,971	$ 84,971	$ -	$ 1,040,358	8.17%
2017	$ 82,640	$ 82,640	$ -	$ 1,229,760	6.72%
2018	$ 102,448	$ 102,448	$ -	$ 1,327,038	7.72%
2019	$ 114,828	$ 114,828	$ -	$ 1,466,547	7.83%
2020	$ 132,608	$ 132,608	$ -	$ 1,631,413	8.13%
2021					
2022					
2023					

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

Schedule of Changes in the Total Pension Liability and Related Ratios
Bellevue College
Fiscal Year Ended June 30, 2020

(expressed in thousands)

	2017	2018	2019	2020
Total Pension Liability				
Service Cost	$ 394,449	$ 270,149	$ 209,042	$ 258,306
Interest	255,879	248,266	252,857	290,564
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(1,844,890)	(734,210)	476,727	612,224
Changes of assumptions	(435,445)	(248,407)	896,381	1,635,844
Benefit Payments	(65,681)	(91,767)	(133,306)	(131,146)
Change in Proportionate Share	-	-	237,185	16,074
Other	-	-	-	-
Net Change in Total Pension Liability	**(1,695,688)**	**(555,969)**	**1,938,886**	**2,681,866**
Total Pension Liability - Beginning	**8,616,940**	**6,921,252**	**6,153,571**	**8,092,457**
Total Pension Liability - Ending	**$ 6,921,252**	**$ 6,153,571**	**$ 8,092,457**	**$10,774,323**
College's Proportion of the Pension Liability	7.281696%	7.059033%	7.331118%	7.345680%
Covered-employee payroll	$ 39,650,714	$ 40,131,029	$ 42,683,458	$ 45,474,306
Total Pension Liability as a percentage of	17.455554%	15.333698%	18.959235%	23.693210%

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

Required Supplementary Information

Other Postemployment Benefits Information

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

Total OPEB Liability	**2020**	**2019**	**2018**
Service cost	$ 1,809,536	$ 2,485,937	$ 3,101,919
Interest cost	1,569,669	1,709,068	1,452,958
Difference between expected and actual experience	-	1,560,047	-
Changes in assumptions	2,923,138	(10,883,067)	(7,087,553)
Changes in benefit terms	-	-	-
Benefit payments	(718,029)	(721,825)	(740,450)
Changes in proportionate share	(655,281)	(144,008)	(295,195)
Other	-	-	-
Net Changes in Total OPEB Liability	$ 4,929,033	$ (5,993,848)	$ (3,568,322)
Total OPEB Liability - Beginning	$ 39,761,281	$ 45,755,129	$ 49,323,451
Total OPEB Liability - Ending	$ 44,690,314	$ 39,761,281	$ 45,755,128
College's proportion of the Total OPEB Liability (%	0.77001029%	0.78291298%	0.78538487%
Covered-employee payroll	$ 65,836,590	$ 61,391,689	$ 51,727,510
Total OPEB Liability as a percentage of covered-	67.880663%	64.766553%	88.454148%

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

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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