LOWER COLUMBIA COLLEGE

2022 FINANCIAL REPORT

Lower Columbia College
June 30, 2021
Financial Report

Table of Contents

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You may view the financial report at
lowercolumbia.edu/disclosure/finance-office/financial-statement.php

Visit the home page at lowercolumbia.edu

Trustees and Administrative Officers

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Board of Trustees
Lower Columbia College
Longview, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

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

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

We did not audit the financial statements of Lower Columbia College Foundation (the Foundation), which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audits by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 1, the financial statements of Lower Columbia College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2022, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such

procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

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

Required Supplementary Information

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

Other Information

The other information comprises the list of Trustees and Administrative Officers but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 20, 2023, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

June 20, 2023

Management's Discussion and Analysis

Lower Columbia College

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

This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity
Lower Columbia College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 4,040 students. The College confers bachelor of applied science, associates degrees, certificates and high school diplomas. The College was established in 1934 and its primary purpose is to ensure each learner's personal and professional success, and influence lives in ways that are local, global, traditional, and innovative. The College's vision is to be a powerful force for improving the quality of life in our community. Our campus community promotes and fosters an environment of integrity, respect, collaboration, cooperation, inclusion, and innovation that fosters personal growth, academic excellence, and accountability.

The College campus is located in Longview, Washington; however, as the lone institution of higher education in the immediate area, it services a regional population of approximately 116,000 residents. The College is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements
The financial statements presented in this report encompass the College and its discretely presented component unit the Lower Columbia College Foundation. The College's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2022. The Statement of Revenue, Expenses and Changes in Fund 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 Fund 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 (GAAP), 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, liabilities, and net position at year-end and includes all assets and liabilities of the College. A condensed comparative Statement of Net Position is as follows:

Condensed Net Position
As of June 30

	2022	2021
Assets		
Current assets	$ 16,215,302	$ 12,619,577
Capital assets, net	84,068,017	85,328,672
Other noncurrent assets	11,816,951	5,040,020
Total assets	112,100,270	102,988,269
Deferred Outflows	4,973,564	4,963,957
Liabilities		
Current liabilities	5,254,904	5,821,648
Noncurrent liabilities	45,893,824	48,952,642
Total liabilities	51,148,728	54,774,290
Deferred Inflows	13,961,008	7,603,261
Net position		
Net investment in capital assets	59,128,407	58,793,453
Restricted		
Expendable	95,429	117,862
Nonexpendable	350,206	340,445
Net Pension Asset	1,645,864	-
Unrestricted	(9,255,808)	(13,677,085)
Total net position	$ 51,964,098	$ 45,574,675

Current assets consist primarily of cash and cash equivalents, various accounts receivables and inventories. Current assets increased approximately $3.6 million, resulting from an increase in cash and investments of $4.7 million related primarily to a receipt of the CARES Act grant, offset by a reduction of receivables resulting from timing of receipts.

Net capital assets decreased by $1.3 million from FY 2022 to FY 2021. Additions of $1.9 million related to building and equipment were offset by $2.7 million depreciation expense.

Non-current assets consist primarily of the long-term portion of certain investments and the addition of net pension asset. Changes to long term investments in FY 2022 are due to a decrease in fair value adjustments.

Deferred Outflows of Resources and deferred inflows of resources represent deferrals in pension and postemployment benefits related to GASB Statement No. 68 and Statement No. 75. The increase in deferred outflows reflect the College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The increase in deferred inflows in 2022 is due to the pension asset from the fully funded pension plans. This is slightly offset by the decrease in difference between the actual and projected investment earnings on the state's other post-employment benefits.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, current portion of pension and OPEB liabilities, 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. Current liabilities decreased $0.6 million due primarily to the decrease in unearned revenue and a decrease in accrued liabilities for amounts held for others.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees, pension liabilities, OPEB, and the long-term portion of Certificates of Participation (COP) debt. Non-current liabilities decreased $3.1 million due to a reduction in pension liability of $2.1 million and payments on the College's COPs of $1.7 million, offset by an increase in the OPEB liability of $0.8 million.

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

> ***Net Investment in Capital Assets –*** The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.
>
> ***Restricted:***
>
> > ***Expendable –*** resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary expendable funds for the College are student loans and the expendable portion of endowments.

Nonexpendable **–** consists of funds in which a donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only. Historically, donors interested in establishing such funds to benefit the College or its students have chosen to do so through the Foundation; however, this corpus balance was established directly with the College at the direction of the donors.

Net Pension Asset – some state sponsored pension plans are fully funded and this aspect of restricted net position represents the college's proportionate amount of these assets. This is measured as net pension asset, minus the deferred inflows, plus the deferred outflows.

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 investment in capital assets increased by $0.3 million in FY 2022. This was caused by a reduction in COP liabilities from refunding the College's 2012 COP issuance which increased the balance but was offset by the current years' depreciation expense which increased the College's accumulated depreciation decreasing the College's depreciable assets. Unrestricted net position increased $4.4 million in FY 2022 due to increased state appropriations and the CARES Act grant. Restricted net position increased $1.6 million in FY 2022 due to the addition of Net Pension Asset.

Statement of Revenues, Expenses and Changes in Fund Net Position

The Statement of Revenues, Expenses and Changes in Fund Net Position accounts for the College's changes in total net position during FY 2022. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid 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. In FY 2022, federal CARES Act grants are also included in nonoperating revenue.

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 comparative statement of revenues, expense and changes in fund net position for the year ended June 30, 2022 and 2021 is presented below.

Condensed Statement of Revenue, Expenses and Changes in Fund Net Position
For the Year Ended June 30

	2022	2021
Operating revenues	$ 23,449,115	$ 26,452,083
Operating expenses	(47,833,846)	(49,321,587)
Net operating income (loss)	(24,384,731)	(22,869,504)
Non operating revenues and expenses	23,592,334	22,583,540
Loss before capital contributions	(792,397)	(285,964)
Capital appropriations and contributions	3,812,251	4,689,092
Increase (decrease) in net position	3,019,854	4,403,128
Net position, beginning of year	45,574,675	43,203,369
Prior period adjustment	3,369,569	(2,031,822)
Net position, end of year	$ 51,964,098	$ 45,574,675

Revenues:

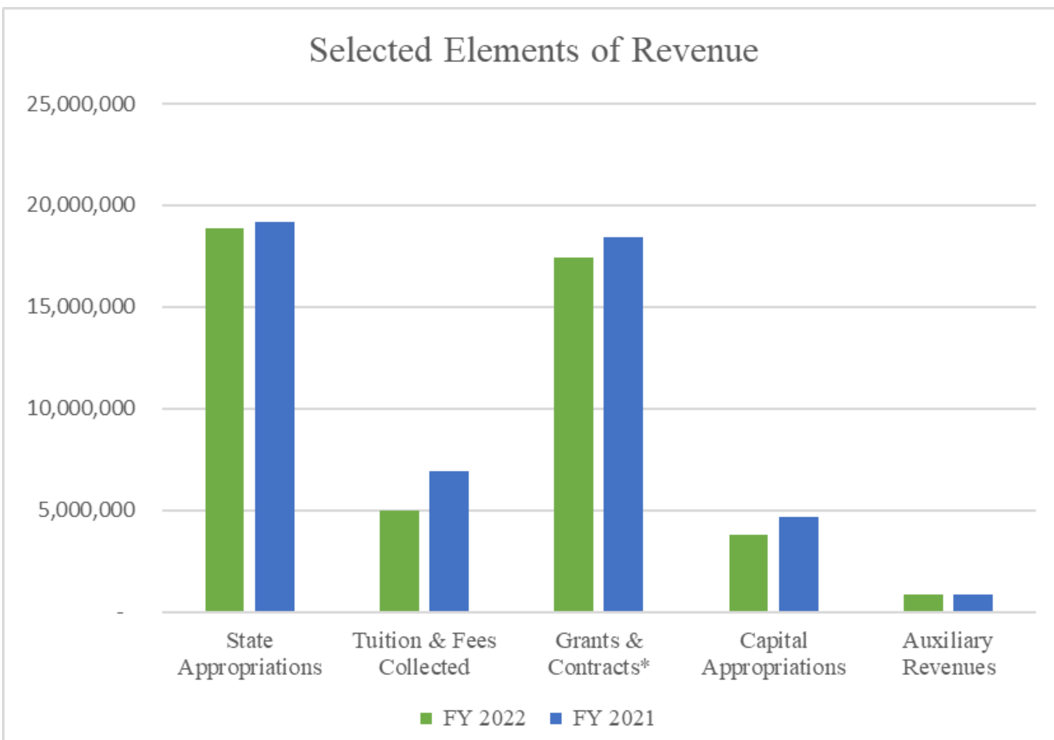
The State of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. The decrease in state appropriations in FY 2022 of $0.3 million over FY 2021 is mainly attributable to salary COLA and benefit increases, offset by reduced funding for Safe Harbor Health Rate Changes, Pension Rate Changes, and Wage Increase, appropriated by the Legislature.

The FY 2022 $1.9 million decrease in tuition and fee revenue is primarily attributable to the uncertainty due to COVID-19 and decline in enrollment. The College has attempted to keep student fees as stable as possible. Auxiliary enterprise sales and other operating revenues have decreased $195 thousand due to COVID protective measures and the partial opening of certain services in FY 2022.

Non-operating Pell Grant revenues generally follow enrollment trends, however in FY 2022 revenues did not follow this trend. The College's enrollment decreased during FY 2022 and the College's Pell Grant revenue increased slightly by $89 thousand. In FY 2022, the College received approximately $7.4 million in CARES Act funding, also reported as non-operating revenue, to mitigate additional costs to the College for ongoing COVID protection measures and lost revenue. Lost revenue of $3.4 million in CARES Act funding is recorded as a prior period adjustment on the FY 2022 financials. After the prior period adjustment, FY 2022 CARES Act funding revenue was $4 million, $2.3 million Institutional (1 million lost revenue) and $1.7 million student financial aid. In FY 2023, the College has been awarded an additional $637 thousand in CARES Supplemental funding.

In FY 2022 intergovernmental operating grant and contract revenues decreased by approximately $993 thousand when compared with FY 2021. This change was due to a 20% decrease in Running Start enrollments, offset by an increase in the Running Start reimbursement rates. 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 contracts with these same high schools to enroll Career Education Options (CEO) and Open Doors students, which allows students to take courses from the College to complete their high school diploma.

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. Expenditures from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenditures that meet the capitalization standard are not shown as expense in the current period and are instead recognized as depreciation expense over the expected useful lifetime of the asset.



* Grants and Contracts exclude any Federal Pell Grants and student loans, and any federal grants classified as nonoperating.

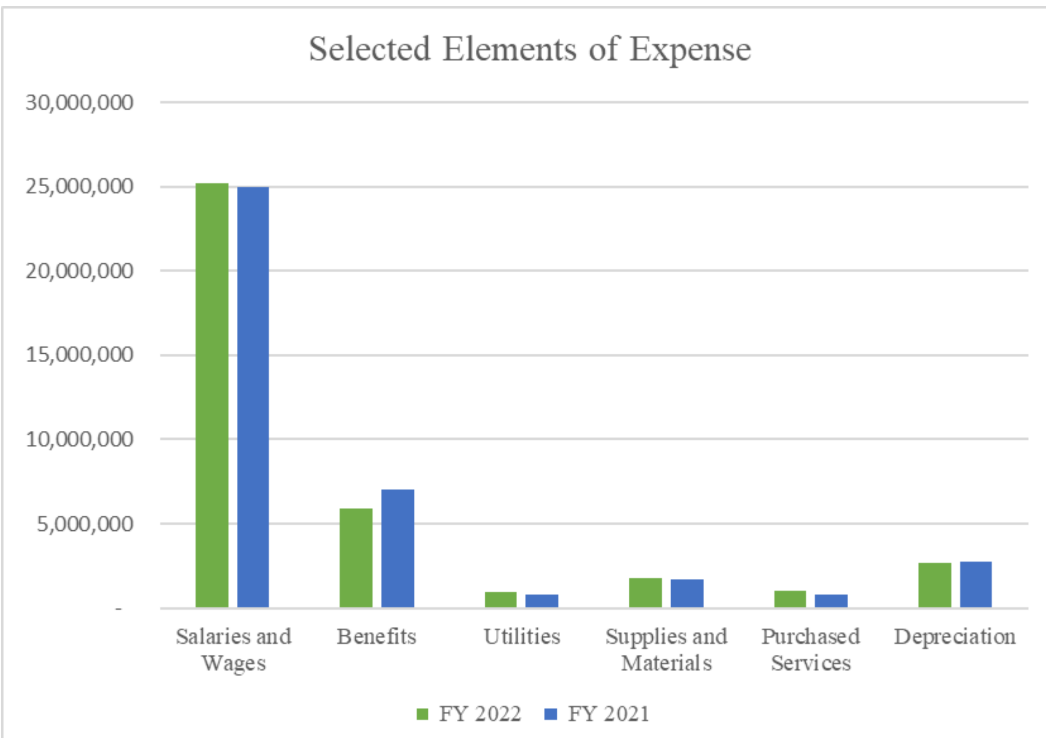
Expenses:

Faced with budget reductions over the past six years, the College has continuously sought opportunities to identify savings and efficiencies. The College decreased spending and services and was subject to various state spending freezes and employee salary reductions.

In FY 2022, salary costs increased as result of COLA increases provided by the Legislature for classified staff, exempt staff, and faculty, as well as the PEBB health rate increase. Despite these increases, operating expenses decreased $1.5 million. A decrease of $1.2 million is due to the pension liabilities adjustment reducing benefits expense; this is offset by the increases in salaries and wages and the cost of software maintenance and utilities.

Comparison of Selected Operating Expenses by Function

The chart below shows the amount, in dollars, for selected functional areas of operating expenses.



Capital Assets and Long-Term Debt Activities

The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed. In addition, the College has one of four community college projects that were funded through a Certificate of Participation (COP) against which system–wide building fee monies were pledged.

At June 30, 2022, the College had invested $84,068,017 in capital assets, net of accumulated depreciation. This represents a decrease of $1.3 million from last year, as shown in the table below.

Asset Type		June 30, 2022		June 30, 2021		Change
Land	$	6,074,767	$	6,074,767	$	-
Construction in Progress		200,179		585,041		(384,862)
Buildings, net		73,445,542		73,974,500		(528,958)
Other Improvements and Infrastructure, net		2,354,456		2,510,291		(155,835)
Equipment, net		1,944,427		2,112,026		(167,599)
Library Resources, net		48,646		72,047		(23,401)
Total Capital Assets, Net	**$**	**84,068,017**	**$**	**85,328,672**	**$**	**(1,260,655)**

Additional information on capital assets can be found in Note 5 of the Notes to the Financial Statements.

At June 30, 2022, the College had $22,145,000 in outstanding debt, all of this in the form of three Certificates of Participation issued by the State Treasurer's Office. The first COP was issued in December, 2012 in lieu of a Capital Appropriation for the construction of the Health & Science building. The second COP was issued September, 2015 for the remodel of the College Fitness Center building, and the third COP was issued February 2019 for the Main Building Renovation project. In 2022 the COP from 2012 was refunded and reissued.

Debt, Short and Long-Term		June 30, 2022		June 30, 2021	Change
Certificates of Participation	$	22,145,000	$	26,105,000	$ (3,960,000)
Total	**$**	**22,145,000**	**$**	**26,105,000**	**$ (3,960,000)**

Additional information of notes payable, long term debt, and debt service schedules can be found in Notes 10 through 12 of the Notes to the Financial Statements.

Economic Factors That Will Affect the Future

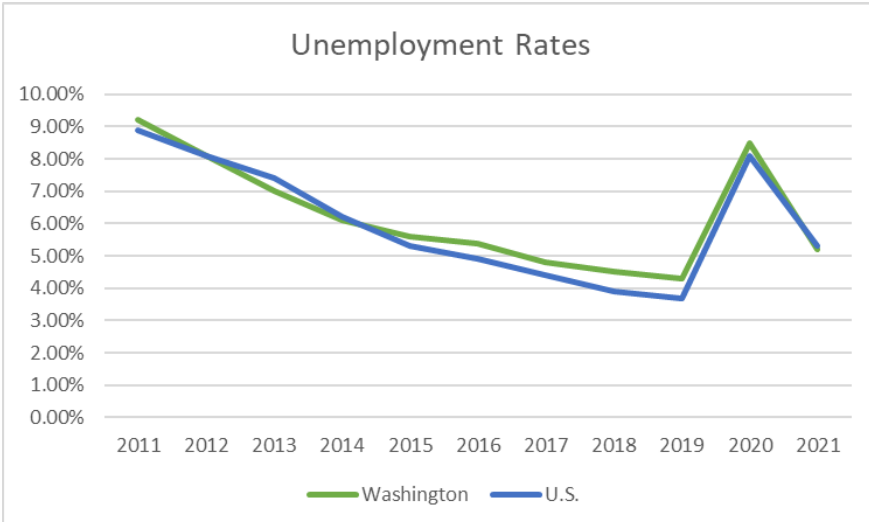
The State Board for Community and Technical College allocates out to each college/district funds received in the state's budget. The model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Although the College continues to see a decrease in enrollment, when comparing enrollment to the other Colleges in the system, the College anticipates its share in state operating appropriations in the next few fiscal years to remain consistent. In fiscal year 2021 the College received a significant increase in funding as a result of the Workforce Education Investment Act (E2SHB 2158). The bill created a new fund, the Workforce Education Investment Account. Appropriations from the account are supported by an increase in the Business and Occupation tax. These funds were allocated to the colleges as directed in the legislation. There were no other significant changes to the method of allocating funds to college districts.

The Higher Education Emergency Relief Fund (HEERF) grant funding established by the CARES Act related to the COVID-19 Pandemic has created a revenue source for the College to offset some additional costs and lost revenue due to the pandemic. These funds will expire during FY 2023.

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

The Washington State Economic and Revenue Forecast Council (ERFC) November 2022 revenue forecast, released in December, will be the preliminary basis for the Governor's 2023-25 biennial budget. In the mid-November update, the ERFC reported that current fiscal year (FY 2023) revenues were higher than forecast, but that they had concerns over slowdowns in state general fund revenues with the looming economic forecast for Calendar Year 2023 and 24. In its November 2022 forecast, the Council observed that inflation decreased from June, but remains at historically high levels. These high rates are mainly attributed to much higher food and energy prices this year compared to last year. Revenue collections for August 2022 were 11.8% above their August 2021 level. The Washington State forecast noted that unemployment improved to 3.7% in September from a 3.9% in May. The unemployment rate is down significantly from the 16.3% rate reached in April 2020 which was an all-time high in the series that dates back to 1976. In Employment Security's December 2022 monthly employment report, Cowlitz County unemployment rate remained slightly higher than surrounding Clark and Skamania counties at 5.8%.

A hallmark of community colleges is the flexibility to quickly respond to the needs of the community, resulting in a pattern of high enrollment during economic downturns, punctuated by lower enrollment when the job market is strong. This pattern is particularly notable in Washington's rural counties, including Cowlitz and Wahkiakum (which comprise the service district for Lower Columbia College). For LCC specifically, the unemployment rate has been the strongest single statistical predictor of enrollment change. However, this has not been the case during the COVID-19 pandemic. While, economic recovery from the 2008 recession lagged the state in both Cowlitz and Wahkiakum Counties, enrollment at LCC stayed higher relatively than the rest of the system in 2017. Moderate declines in enrollment, related to falling unemployment rates, were expected in 2018 and possibly 2019 as well before eventual stabilization. Enrollment in 2020 saw a slight increase prior to the impacts of COVID-19 in Spring Quarter, which caused an approximately 15% reduction in enrollment despite the significant increase in the local unemployment rate. Total enrollment in FY 2021 decreased 18% compared to FY 2020. As the College continues to be affected by the results of the COVID-19 pandemic in FY 2022, another 6% decrease in enrollments has been experienced. While historically colleges have seen an increase in enrollments in times of higher unemployment, that has not been the trend the College has experienced at this time. The College will be looking closely at budgets and ways to innovate instruction to attract more students.



Statement of Net Position
Lower Columbia College
As of June 30, 2022

		2022
ASSETS		
Current assets		
Cash and cash equivalents	$	9,429,947
Restricted cash and cash equivalents		445,635
Investments, short-term		499,610
Accounts receivable, net		5,531,883
Interest receivable		3,839
Inventories		277,589
Prepaid Expenses		26,799
Total current assets		16,215,302
Non-current assets		
Long-term investments		4,152,776
Non-depreciable assets		6,274,946
Depreciable Capital assets, net		77,793,071
Pension Asset		7,664,175
Total non-current assets		95,884,968
Total assets		112,100,270
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		2,848,142
Deferred outflows related to OPEB		2,125,422
Total deferred outflows of resources		4,973,564
LIABILITIES		
Current liabilities		
Accounts payable		1,249,435
Accrued liabilities		1,469,662
Compensated absences		212,498
Interest payable		18,126
Deposits payable		7,814
Unearned revenue		105,439
Current portion pension liability		38,136
Current portion total OPEB liability		305,441
Current portion certificates of participation payable, net		1,848,353
Total current liabilities		5,254,904
Noncurrent liabilities		
Compensated absences		2,484,757
Net pension liability		2,120,388
Total OPEB liability		18,197,422
Certificates of participation payable, net		23,091,257
Total noncurrent liabilities		45,893,824
Total liabilities		51,148,728
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		9,697,989
Deferred inflows related to OPEB		4,263,019
Total deferred inflows of resources		13,961,008
NET POSITION		
Net investment in capital assets		59,128,407
Restricted for:		
Expendable		95,429
Nonexpendable		350,206
Net Pension Asset		1,645,864
Unrestricted		(9,255,808)
Total net position	$	51,964,098

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

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

		2022
Operating revenues		
Student tuition and fees, net	$	4,966,497
Auxiliary enterprise sales		848,243
State and local grants and contracts		12,654,925
Federal grants and contracts		4,924,662
Other operating revenues		54,788
Total operating revenue		23,449,115
Operating expenses		
Salaries and wages		25,204,751
Benefits		5,896,127
Scholarships and fellowships, net		6,200,547
Supplies and materials		1,777,611
Depreciation		2,708,345
Purchased services		1,015,654
Utilities		949,680
Other operating expenses		4,081,131
Total operating expenses		47,833,846
Operating income (loss)		(24,384,731)
Non-operating revenues (expenses)		
State appropriations		18,875,788
Federal Pell grant revenue		3,279,620
Other federal grants		3,922,513
Investment income, gains and losses		(367,470)
Building fee remittance		(631,351)
Innovation fund remittance		(149,663)
Interest expense		(1,301,047)
Loss on disposal of assets		(36,056)
Total non-operating revenues (expenses)		23,592,334
Loss before capital contributions		(792,397)
Capital Revenues		
Capital appropriations		3,812,251
Increase (decrease) in net position		3,019,854
Net position		
Net position, beginning of year		45,574,675
Prior period adjustment		3,369,569
Net position, end of year	$	51,964,098

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

Statement of Cash Flows

Lower Columbia College

For the Year Ended June 30, 2022

		2022
Cash flow from operating activities		
Tuition and fees	$	4,155,140
Grants and contracts		15,072,326
Payments to vendors		(2,778,371)
Payments for utilities		(949,680)
Payments to employees		(25,204,751)
Payments for benefits		(8,570,832)
Auxiliary enterprise sales		846,577
Payments for scholarships and fellowships		(6,200,547)
Other receipts		4,244,344
Other payments		(3,500,267)
Net cash used by operating activities		(22,886,061)
Cash flow from noncapital financing activities		
State appropriations		18,398,938
Pell grants		3,279,620
Cash received from operating grants		7,292,918
Building fee remittance		(648,162)
Innovation fund remittance		(152,927)
Net cash provided by noncapital financing activities		28,170,387
Cash flow from capital and related financing activities		
Capital appropriations		3,812,251
Purchases of capital assets		(1,483,746)
Certificate of participation refinanced		(19,450,000)
Certificate of participation proceeds from refinance		19,573,858
Principal paid on capital debt		(1,695,000)
Interest paid		(1,404,614)
Net cash provided by capital financing activities		(647,251)
Cash flow from investing activities		
Proceeds from sales and maturities of investments		760,000
Income from investments		29,149
Purchases of investments		(768,985)
Net cash provided by investing activities		20,164
Increase (Decrease) in cash and cash equivalents		4,657,239
Cash and cash equivalents at the beginning of the year		5,218,343
Cash and cash equivalents at the end of the year	$	9,875,582
Cash and cash equivalents	$	9,429,947
Cash and cash equivalents - restricted		445,635
	$	9,875,582

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

Statement of Cash Flows, continued

Lower Columbia College

For the Year Ended June 30, 2022

		2022
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$	(24,384,731)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation/amortization		2,708,345
(Increase) decrease in accounts receivable		1,442,216
(Increase) decrease in prepaid items		1,010
Increase (decrease) in warrants payables		(303,337)
Increase (decrease) in customer deposits		-
Increase (decrease) in inventory		13,884
Increase (decrease) in unearned revenue		(272,342)
Increase (decrease) in compensated absences		(20,659)
Increase (decrease) in pensions		(2,651,311)
Other nonoperating revenue (expense)		580,864
Net cash used by operating activities	$	(22,886,061)
Noncash investing, financing and capital activities		
Change in fair value of investments	$	396,619

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

Foundation Statement of Financial Position

Lower Columbia College Foundation

As of June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Cash and cash equivalents	$ 2,175,479	$ -	$ 2,175,479
Marketable securities	1,501,577	17,517,543	19,019,120
Pledges receivable	13,425	1,206,596	1,220,021
Prepaid Expenses	885	-	885
Fixtures and Equipment	30,963	-	30,963
Equipment held for sale	21,424	-	21,424
Total Assets	3,743,753	18,724,139	22,467,892
LIABILITIES			
Accrued Expenses	67,747	-	67,747
Total Liabilities	67,747	-	67,747
NET ASSETS			
Unrestricted	3,676,006	-	3,676,006
Temporarily restricted	-	2,894,069	2,894,069
Permanently restricted	-	15,830,070	15,830,070
Total Net Assets	3,676,006	18,724,139	22,400,145
TOTAL LIABILITIES AND NET ASSETS	$ 3,743,753	$ 18,724,139	$ 22,467,892

Foundation Statement of Activities
Lower Columbia College Foundation
For the Year Ended June 30, 2022

REVENUES AND SUPPORT		Without Donor Restrictions		With Donor Restrictions		Total
Contributions	$	79,466	$	1,966,383	$	2,045,849
Investment earnings (losses)		(312,262)		(2,957,625)		(3,269,887)
Other revenues and gains		9,688		-		9,688
In-kind contributions		205,237		-		205,237
Special event revenue (gross)		70,215		17,610		87,825
Net assets released from restrictions		1,176,673		(1,176,673)		-
Total revenues, gains and other support		1,229,017		(2,150,305)		(921,288)
EXPENSES						
Program services		1,066,159		-		1,066,159
General and administrative expenses		216,157		-		216,157
Fundraising expenses		99,008		-		99,008
Total expenses		1,381,324		-		1,381,324
Change in net assets		(152,307)		(2,150,305)		(2,302,612)
Net Assets, beginning of Year		3,828,313		20,874,444		24,702,757
Net Assets, end of year	$	3,676,006	$	18,724,139	$	22,400,145

Notes to the Financial Statements

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

NOTE 1. Summary of Significant Accounting Policies

The financial statements of the Lower Columbia College (the College) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the significant accounting policies for the College.

Financial Reporting Entity

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

The Lower Columbia College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1976 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to provide a conduit for private support of the College through scholarship endowments, program grants, and similar types of support. 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 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 GAAP. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2022, the Foundation distributed approximately $1,066,159 to the College for restricted and unrestricted purposes, which includes student scholarships in the amount of $494,409, program support in the amount of $254,431, grants in the amount of $99,952 and other purposes in the amount of $217,367. The College provides 1,140 square feet of rent-free office space to the Foundation valued at $14,808. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 1600 Maple St., Longview, WA.

Basis of Presentation

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

Basis of Accounting

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

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

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand and bank demand deposits. Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes with US Bank Safekeeping. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets. The College records all cash and cash equivalents at fair value.

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. The College considers all accounts aging twelve months or more as uncollectible. 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 first in first out (FIFO) method.

Capital Assets

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB 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, 7 years for library resources, 15 to 50 years for buildings and improvements, and 20 to 50 years for infrastructure and land improvements.

The College reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2022, no assets had been written down.

Leases

The College determines if an arrangement is a lease at inception of the lease contract. For arrangements that meet the definition of GASB Statement No. 87 – Leases at lease commencement, the College will report accounting entries as a lessor or lessee as stated below:

Lessor

The College will recognize a lease receivable and a deferred inflow of resources. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the amount of the lease receivable, plus lease payments made at or on behalf of the lessee at or before the lease commencement date. The deferred inflow of resources is recognized as lease revenue on a straight-line basis over the lease term

The College recognizes payments for short-term leases of 12 months or less and leases that are not capitalized as revenue as payments are received. In FY22, the College did not capitalize any lessor lease activity.

Lessee

The College will recognize a lease liability and an intangible right-to-use lease asset. The lease liability is initially measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the amount of the lease liability, less lease payments made at of before the commencement date, plus any initial direct secondary costs to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. The lease asset is amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

The College recognizes payments for short-term leases of 12 months or less and leases that are not capitalized as expenses as payments are made. In FY22, the College did not capitalize any lessee lease activity.

Unearned Revenues

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

Tax Exemption

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

Pension Liability

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

The College also reports its share of the pension liability for the State Board Retirement Plan (SBRP) in accordance with GASB 68 *(Accounting and Financial Reporting for Pensions)*. The SBRP uses the current fiscal year end as the measurement date for reporting the pension liabilities.

For purposes of calculating the restricted net position related to the net pension asset, the College includes the net pension asset and the related deferred outflows and deferred inflows.

OPEB Liability

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

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

Net Position

The College's net position is classified as follows.

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

Restricted for Nonexpendable. This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principle.

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

Restricted for Pension Assets. This represents the College's pension assets measured as net pension asset and the related deferred outflows and deferred inflows.

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 22, non-operating revenues also included funds received through the federal CARES act.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2022 are $3,250,174.

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 each month. 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 Fund 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 15th, 2018. The College is following the State's Office of Financial Management directives on these postponements.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The provisions of this statement are effective for fiscal year 2023. This statement provides a single method of reporting conduit debt obligations by issuers and eliminates the diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of conduit obligations, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improving required note disclosures. The impact of this Statement has not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements,* effective for FY23. This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases,* as amended, if certain conditions apply. The impact of this Statement has not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements,* effect for FY23. This Statement provides guidance on the accounting and financial reporting for Subscription-based information technology arrangements (SBITAs) for government end users (governments). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, effective FY25. It provides guidance for measuring liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. The College is following the State's Office of Financial management directives to prepare for the implementation of this Statement.

<u>NOTE 3. Deposits and Investments</u>

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.

As of June 30, 2022, the carrying amount of the College's cash, cash equivalents, and investments, are $14,527,968 as represented in the table below.

	June 30, 2022
Cash and cash equivalents	$ 9,875,582
Local government bonds	4,425,355
US government agency securities	227,031
Total Cash and Investments	$ 14,527,968

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 Bank of America. All cash and equivalents, except for change funds and petty cash held by the College, are insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC).

Investments

Lower Columbia College's Investments Policy 532 states that the College shall invest funds in a manner which provides maximum security with the highest investment return, while meeting the daily cash flow demands of the College and conforming to all state laws governing the investment of public funds. The Chief Financial Officer shall invest district funds and is responsible for the investment program. The Chief Financial Officer will take necessary actions to ensure the prudent investment of district funds and shall provide consistent periodic reporting to the President.

Statutes authorize the College to invest in obligations of the U.S. Treasury, U.S. Agencies and instrumentalities, banker's acceptances, repurchase agreements, and the state treasurer's investment pool.

Investments Measured at Fair Value

The investment portfolio consists of individual issues of US government-sponsored enterprises and municipal bonds, diversified by type, locale, and maturity date which are held by custodian U.S. Bank N.A. Treasury Division. The College measures and records its investments within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1 – Quoted market prices: Unadjusted quoted prices available in active markets for identical assets or liabilities

Level 2 – Observable inputs: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 – Unobservable inputs that are significant to the fair value measurement.

The College categorizes its fair value measurements within the fair value hierarchy established by GAAP. All of the College's investments fall within the hierarchy of Level 1 and Level 2.

As of June 30, 2022, the College had the following recurring fair value measurements.

		Fair Value Measurements Using		
Investments by fair value level	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Local government issues	$ 4,425,355	$ -	$ 4,425,355	$ -
US government-sponsored enterprises	227,031	227,031	-	-
Total Debt Securities	4,652,386	227,031	4,425,355	-
Total Investments by Fair Value Level	$ 4,652,386	$ 227,031	$ 4,425,355	$ -

Interest Rate Risk—Investments

College policy limits investment maturities as a means to manage its exposure to fair value losses arising from increasing interest rates. The College's intent is to purchase investments that may be held until maturity. Unless matched to a specific cash flow, the College generally will not directly invest in securities maturing more than fifteen years from the date of purchase. The College manages its exposure to interest rate risk by limiting the duration of investment and structuring the maturity of investments to mature at various points in the year. The goal of the overall portfolio is to balance cash flow requirements, safety, liquidity, and yield. Interest rate risk is measured using the specific identification method. Investment maturities at June 30, 2022 is as follows:

		Fair Value		One Year or Less		One to Five Years		Six to Ten Years
Municipal Bonds	$	4,425,355	$	499,610	$	3,032,133	$	893,612
Farm Credit Bank		92,622		-		92,622		-
Federal Home Loan Mortgage Corp		134,409		-		134,409		-
Total Investments	$	4,652,386	$	499,610	$	3,259,164	$	893,612

Credit risk. Credit risk is the risk that an issuer or related party will not fulfill its obligations. As required by state law, all investments of the College's funds are obligations of the U.S. government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. College investments are in US government bonds and municipal bonds, which have zero to low risk of default because of the capability of local and state governments to increase taxes to cover their debts. All municipal bonds held are rated on the Moody's and/or S&P ratings scale of A1 and/or A or higher.

Concentration of Credit Risk—Investments

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

Custodial Credit Risk—Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2022, $4,652,386 of the College's operating fund investments, held by U.S Bank N.A., in the bank's name as agent for the College, are exposed to custodial credit risk as follows.

	Maturity Date	Market Value
Federal Home Loan Mortgage Corp	07/30/25	92,622
Farm Credit Bank	08/13/26	134,409
Houston, TX Taxable	03/01/25	1,061,808
Grant County,WA Electric Revenue	01/01/26	933,740
Oregon State Taxable F-REF	04/01/27	294,642
Federal Way, WA	12/01/28	499,081
Matanuska-Susitna Taxable	03/01/24	491,235
Washington State Higher Education	10/01/22	499,610
Sequoia California School Dist. Taxable	07/01/24	250,708
Cowlitz 911 Public Authority Taxable	12/01/29	181,601
Bellevue, WA G.O. Taxable	12/01/30	212,930
Total Investments Exposed to Custodial Risk	$	4,652,386

Investment Expenses

Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2022 were $1,120.

NOTE 4. Receivables

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2022, accounts receivable was as follows:

		FY22
Student Tuition and Fees	$	1,293,601
Due from the Federal Government		2,507,261
Due from Other State Agencies		2,169,439
Auxilary Enterprises		25,892
Other		555,334
Subtotal		6,551,527
Less Allowance for Uncollectible Accounts*		(1,019,644)
Accounts Receivable, net	$	5,531,883

*The majority of the allowance for uncollectible accounts is associated with Title IV Repayments.

NOTE 5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2022 is presented as follows. The current year depreciation expense was $2,708,345.

	Beginning Balance	Additions/ Transfers	Retirements / Adjustments	Ending Balance
Nondepreciable capital assets				
Land	$ 6,074,767	$ -	$ -	$ 6,074,767
Construction in progress	585,041	200,175	585,037	200,179
Total nondepreciable capital assets	6,659,808	200,175	585,037	6,274,946
Depreciable capital assets				
Buildings	107,437,927	1,460,451	-	108,898,378
Other improvements and infrastructure	5,479,095	-	-	5,479,095
Equipment	7,871,996	395,838	251,377	8,016,457
Library resources	1,722,287	12,319	463,026	1,271,580
Subtotal depreciable capital assets	122,511,305	1,868,608	714,403	123,665,510
Less accumulated depreciation				
Buildings	33,463,427	1,989,409	-	35,452,836
Other improvements and infrastructure	2,968,804	155,835	-	3,124,639
Equipment	5,759,970	546,711	234,651	6,072,030
Library resources	1,650,240	16,390	443,696	1,222,934
Total accumulated depreciation	43,842,441	2,708,345	678,347	45,872,439
Total depreciable capital assets	78,668,864	(839,737)	36,056	77,793,071
Capital assets, net of accumulated depreciation	$ 85,328,672	$ (639,562)	$ 621,093	$ 84,068,017

NOTE 6. Accounts Payable and Accrued Liabilities

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

	Amount
Amounts Owed to Employees	$ 1,061,553
Amounts Held for Others	1,657,544
Total accounts payable and accrued liabilities	$ 2,719,097

NOTE 7. Unearned Revenue

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

		Amount
Summer Quarter Tuition & Fees	$	99,448
Auxilary Enterprises		4,991
Grants & Contracts		1,000
Total Unearned Revenue	$	105,439

NOTE 8. Risk Management

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

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

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The College does not have a liability for unpaid claims, the claims are paid by the Employment Security Department and then the College reimburses them quarterly. Payments made for claims from July 1, 2020 through June 30, 2022, were $57,446.

NOTE 9. Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $1,330,210, accrued sick leave totaled $1,365,458, and the accrued compensatory leave totaled $1,587 at June 30, 2022.

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

NOTE 10. Notes Payable

The College's certificates of participation are all considered direct borrowings. The Washington Office of State Treasurer (OST) issues these certificates of participation (COPs). The College's COPs are not secured by the financed properties; rather, the OST is directed by RCW to withdraw from the College's share of state revenues the amount of any deficiency of payments.

In December 2012, the College obtained financing to fund the construction of the Health & Science Building through a COP in the amount of $31,550,000. The interest rate charged is 3.10% for a term of twenty years. In June of 2022 the College completed the refunding of the 2012 COP for $17,185,000 at 2.54% interest for a term of ten years. The College makes payments on the COP and is then reimbursed through state appropriations.

In December 2015, the College obtained financing to fund the renovation of the College's Fitness Center through a COP in the amount of $ 2,910,000. The interest rate charged is 3.42129% for a term of twenty years. The Fitness Center COP will be paid for by student fees as approved by the ASLCC. Student fees related to the COP are accounted for in a dedicated fund, which is used to pay principal and interest, rather than the general operating budget.

In February 2019, the College obtained financing to fund the renovation of the Main Building through a COP in the amount of $2,945,000. The interest rate charged is 3.357% for a term of twenty years. The College makes payments on the COP and is then reimbursed from program charges.

The College's debt service requirements for these note agreements for the next five years and thereafter are as follows in Note 11.

NOTE 11. Annual Debt Services Requirements

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

Certificates of Participation						
Fiscal year		Principal		Interest		Total
2023	$	1,585,000	$	1,078,166	$	2,663,166
2024		1,680,000		993,278		2,673,278
2025		1,760,000		910,800		2,670,800
2026		1,845,000		822,425		2,667,425
2027		1,940,000		731,425		2,671,425
2028-2032		11,190,000		2,144,844		13,334,844
2033-2037		1,705,000		289,506		1,994,506
2038-2039		440,000		22,250		462,250
Total	$	22,145,000	$	6,992,694	$	29,137,694

NOTE 12. Schedule of Long-Term Liabilities

		Balance outstanding 6/30/21		Additions		Reductions		Balance outstanding 6/30/22		Current portion
Certificates of participation	$	26,105,000	$	17,185,000	$	21,145,000	$	22,145,000	$	1,585,000
Add: Premium		430,219		2,388,858		24,467		2,794,610		263,353
Certificates of participation, net		26,535,219		19,573,858		21,169,467		24,939,610		1,848,353
Compensated absences		2,717,914		-		20,659		2,697,255		212,498
Total OPEB liability		17,754,575		748,288		-		18,502,863		305,441
Net pension liability		4,242,088		-		2,083,564		2,158,524		38,136
Total long-term debt	$	51,249,796	$	20,322,146	$	23,273,690	$	48,298,252	$	2,404,428

NOTE 13. Retirement Plans

Summary

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

Basis of Accounting

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

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

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	SBRP	Total
Pension liabilities	$ 707,363	$ -	$ 69,336	$ -	$ 1,381,825	$ 2,158,524
Pension assets	-	7,380,058	-	284,117	-	7,664,175
Deferred outflows of resources related to pensions	338,349	1,009,656	55,112	193,506	1,251,519	2,848,142
Deferred inflows of resources related to pensions	784,936	6,865,691	103,948	355,782	1,587,632	9,697,989
Pension expense/expenditures	(224,405)	(1,669,710)	(9,197)	(33,619)	(109,615)	(2,046,546)

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.

College Participation in Plans Administered by the Department of Retirement Systems

PERS

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

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

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

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

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

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

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

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

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

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

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

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

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

TRS

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

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

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

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

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

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

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

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

Contributions

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

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

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

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rates at close of FY22	10.25%	10.25%	14.42%	14.42%
Actual Contributions	$ 338,349	$ 578,035	$ 55,112	$ 70,083

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, with the results rolled forward to the June 30, 2021, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the following table:

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

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

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

Discount rate

The discount rate used to measure the total pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

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

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

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

	1% Decrease	Current Discount Rate	1% Increase
Pension Plan	6.40%	7.40%	8.40%
PERS Plan 1	1,205,033	707,363	273,344
PERS Plan 2/3	(2,102,435)	(7,380,058)	(11,726,183)
TRS Plan 1	132,900	69,336	13,866
TRS Plan 2/3	49,544	(284,117)	(556,299)

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

Pension Liabilities/(Assets). At June 30, 2022, the College reported a total pension liability (asset) of $(6,887,476) for its proportionate share of the net pension liabilities/(assets) as follows:

PERS 1	$	707,363
PERS 2/3		(7,380,058)
TRS 1		69,336
TRS 2/3		(284,117)
Total	$	(6,887,476)

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

Plan Name	2021	2020	Change
PERS 1	0.057922%	0.060508%	-0.002586%
PER 2/3	0.074085%	0.078660%	-0.004575%
TRS 1	0.010298%	0.009862%	0.000436%
TRS 2/3	0.010336%	0.009993%	0.000343%

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

Pension Expense. For the year ended June 30, 2022 the College recognized pension expense as follows:

	Pension Expense
PERS 1	(224,405)
PERS 2/3	(1,669,710)
TRS 1	(9,197)
TRS 2/3	(33,619)
Total	**(1,936,931)**

Deferred Outflows of Resources and Deferred Inflows of Resources. The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2022:

	PERS 1		PERS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 358,439	90,472
Difference between expected and actual earnings of pension plan investments	-	784,936	-	6,167,997
Changes of Assumptions	-	-	10,785	524,106
Changes in College's proportionate share of pension liabilities	-	-	62,397	83,116
Contributions to pension plans after measurement date	338,349	-	578,035	-
	$ 338,349	$ 784,936	$ 1,009,656	$ 6,865,691

	TRS 1		TRS 2/3	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -	$ 88,267	$ 2,300
Difference between expected and actual earnings of pension plan investments	-	103,948	-	331,245
Changes of Assumptions	-	-	17,673	14,931
Changes in College's proportionate share of pension liabilities	-	-	17,483	7,306
Contributions to pension plans after measurement date	55,112	-	70,083	-
	$ 55,112	$ 103,948	$ 193,506	$ 355,782

	TOTAL ALL PLANS	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 446,706	$ 92,772
Difference between expected and actual earnings of pension plan investments	-	7,388,126
Changes of Assumptions	28,458	539,037
Changes in College's proportionate share of pension liabilities	79,880	90,422
Contributions to pension plans after measurement date	1,041,579	-
	$ 1,596,623	$ 8,110,357

The $1,041,579 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, 2022.

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

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
2023	$ (207,930)	$ (1,682,846)	$ (27,546)	$ (72,620)	$ (1,990,942)
2024	(190,539)	(1,572,028)	(25,206)	(67,082)	(1,854,855)
2025	(180,163)	(1,506,872)	(23,855)	(62,549)	(1,773,439)
2026	(206,304)	(1,632,814)	(27,341)	(72,068)	(1,938,527)
2027	-	(33,638)	-	13,370	(20,268)
Thereafter	-	(5,872)	-	28,590	22,718
Total	$ (784,936)	$ (6,434,070)	$ (103,948)	$ (232,359)	$ (7,555,313)

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

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

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

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

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

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

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

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

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

**Measurement reflects actual investment returns through June 30, 2021*

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

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

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

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

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

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

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2022 were each $1,107,199.

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

Pension expense for the fiscal year ending June 30, 2022 was $(109,615).

Proportionate Share (%)		**2.01031%**
Service Cost	$	30,315
Interest		102,083
Amortization of Differences Between Expected and Actual Experience		(70,622)
Amortization of Changes of Assumptions		(59,465)
Changes of Benefit Terms		-
Employee Contributions		-
Expected Earnings on Plan Investments		(48,609)
Amortization of Difference between Projected and Actual Earnings on Plan Investments		(16,444)
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		**(62,742)**
Amortization of the Change in Proportionate Share of TPL		30,484
Benefit payments and Employer Contributions		(77,357)
Total Pension Expense		**(109,615)**

Plan Membership. Membership in the State Board Supplemental Retirement Plan consisted of the following as of June 30, 2021, the most recent full actuarial valuation date. Since FY22 was a roll forward year, consistent participant data was used for the roll-forward.

	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**
SBRP	18	5	86	109

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

Devlopment of Net Pension Liability	
	Amount
Service Cost	$ 30,295
Interest	102,063
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	451,033
Changes in Assumptions	146,511
Benefit Payments	(60,611)
Change in Proportionate Share of NPL	21,557
Other	-
Net Change in Total Pension Liability	690,848
Total Pension Liability - Beginning	1,338,130
Total Pension Liability - Ending	**$ 2,028,979**
Plan Fiduciary Net Position	
Contributions - Employer	$ 16,746
Contributions - Member	-
Net Investment Income	1,045
Benefit Payments	-
Administrative Expense	-
Other	-
Net Change in Plan Fiduciary Net Position	**17,791**
Fiduciary Net Position-Beginning	629,363
Fiducairy Net Position-Ending (b)	**647,154**
Net Pension Liability (Asset) -- Ending (a)-(b)	**$ 1,381,825**

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

1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
$ 1,606,377	$ 1,381,825	$ 1,189,238

Deferred Outflows and Inflows of Resources Related to Pensions.
At June 30, 2022, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SBRP	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 538,401	$ 616,159
Changes of Assumptions	488,063	828,810
Changes in College's proportionate share of pension liabilities	187,020	64,804
Differences beteween Projected and Actual Earnings on Plan Investments	38,035	77,859
	$ 1,251,519	$ 1,587,632

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

State Board Supplemental Retirement Plan	
2023	(116,047)
2024	(82,918)
2025	(33,203)
2026	(31,572)
2027	(149,531)
Thereafter	77,158

NOTE 14. Other Post-Employment Benefits

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

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

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

Employees Covered by Benefit Terms. The PEBB OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement systems. Membership in the PEBB plan for the College consisted of the following:

Summary of Plan Participants
As of June 30, 2020

Active Employees*	382
Retirees Receiving Benefits**	111
Retirees Not Receiving Benefits***	18
Total Active Employees and Retirees	511

*Reflects active employees eligible for PEBB program participation as of June 30, 2020.
**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.
***This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2022 the explicit subsidy was $183 per member per month and it will remain $183 per member per month in calendar year 2023.

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

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

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

Required Premium*

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

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

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

Total OPEB Liability

As of June 30, 2022, the state reported a total OPEB liability of $6.472 billion. The College's proportionate share of the total OPEB liability is $18,502,863. This liability was determined based on a measurement date of June 30, 2021.

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

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

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

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

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

Actuarial Methodology. The total OPEB liability was calculated as of the valuation date and procedures were used to roll forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, reflecting each plan's service cost, assumed interest and actual benefit payments. The total OPEB liability was determined using the following methodologies:

Actuarial Valuation Date	6/30/2020
Actuarial Measurement Date	6/30/2021
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond

Municipal Bond Index, or 2.21 percent for the June 30, 2020 measurement date and 2.16 percent for the June 30, 2021 measurement date.

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

Changes in Total OPEB Liability

As of June 30, 2022, components of the calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

Proportionate Share %		0.28591%
Service cost	$	924,792
Interest Cost		399,689
Changes in assumptions *		170,769
Benefit payments		(304,508)
Changes in Proportionate Share *		(442,455)
Net change in total OPEB liability		748,287
Total OPEB liability - beginning		17,754,576
Total OPEB liability - ending	$	18,502,863

*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 2.16 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

Discount Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$ 22,417,531	$ 18,502,863	$ 15,459,237

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

Health Care Trend Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
14,927,667	18,502,863	23,334,158

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

For the year ending June 30, 2022, the College will recognize OPEB expense of $742,256. OPEB expense consists of the following elements:

Proportionate Share %		0.28591%
Service cost	$	924,792
Interest Cost		399,689
Amortization of Differences between expected and actual experience		53,068
Amortization of Changes in assumptions		(545,412)
Amortization Changes in Proportionate Share		(89,881)
Total OPEB Expense	$	742,256

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

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 316,500	$ 71,626
Changes of Assumptions	1,178,355	3,354,651
Transactions subsequent to the measurement date	305,441	-
Changes in proportionate share	325,126	836,742
Total	$ 2,125,422	$ 4,263,019

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, 2023. 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:

Ended June 30,	OPEB
2023	(582,225)
2024	(582,225)
2025	(582,225)
2026	(582,227)
2027	(203,443)
Thereafter	89,307

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

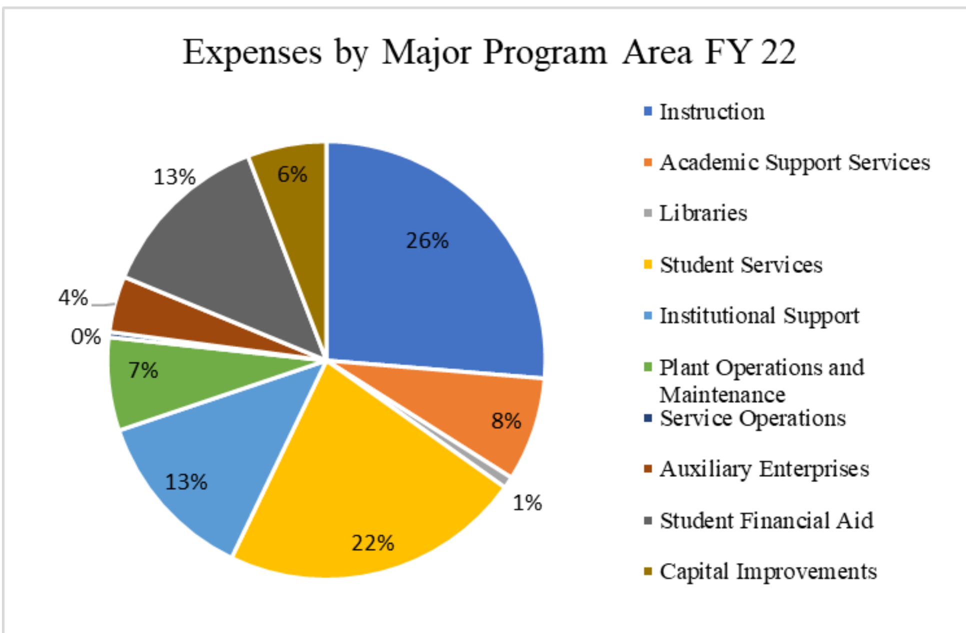
Proportionate Share (%) 2020		**0.2932123640%**
Proportionate Share (%) 2021		**0.2859053284%**
Total OPEB Liability - Ending 2020	$	17,754,576
Total OPEB Liability - Beginning 2021		17,312,121
Total OPEB Liability Change in Proportion		(442,455)
Total Deferred Inflows (Outflows) - 2020		(2,348,556)
Total Deferred Inflows (Outflows) - 2021		(2,290,027)
Total Deferred Inflows/Outflows Change in Proportion		58,529
Total Change in Proportion	**$**	**(500,984)**

NOTE 15. Operating Expenses by Program

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

Instruction	$	12,587,747	26%
Academic Support Services		3,672,604	8%
Libraries		408,264	1%
Student Services		10,665,599	22%
Institutional Support		6,067,807	13%
Plant Operations and Maintenance		3,288,192	7%
Service Operations		187,093	0%
Auxiliary Enterprises		1,982,933	4%
Student Financial Aid		6,182,781	13%
Capital Improvements		2,790,826	6%
Total	$	47,833,846	

The following chart shows operating expenses by program for the year ending June 30, 2022.



NOTE 16. Commitments and Contingencies

The College has commitments of $2,674,342 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

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

NOTE 17. Prior Period Adjustment

Since fiscal year 2020, the College has been awarded $12.2 million in CARES Act funding from the Department of Education. $7.2 million was awarded for institutional aid and $5 million for student aid. A portion of the institutional aid is to assist the College recover lost revenues from decreased enrollment and reduction in services due to the COVID-19 pandemic. In fiscal year 2022, the College performed an analysis of the lost revenues from FY 2020 to FY 2021 and is reporting those lost revenues as a prior period adjustment totaling $3,369,569.

Required Supplementary Information

State Board Supplemental Defined Benefit Plans
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

SBRP
As of June 30
Last Six Fiscal Years

Change in Total Pension Liability (Asset)	2022	2021	2020	2019	2018	2017
Service cost	$ 30,295	$ 91,149	$ 71,050	$ 54,011	$ 70,712	$ 97,942
Interest	102,064	64,831	79,924	65,331	64,984	63,535
Differences between expected and actual experience	451,033	(584,920)	168,400	123,173	(192,199)	(458,086)
Changes of assumptions	146,511	(1,055,669)	449,960	231,600	(65,021)	(108,121)
Benefit payments	(60,611)	(38,863)	(36,073)	(34,443)	(24,020)	(16,309)
Change in proportionate share of TPL	21,557	(102,018)	139,484	40,495	37,698	-
Net change in total pension liability	690,849	(1,625,490)	872,745	480,167	(107,846)	(421,040)
Total pension liability - beginning	1,338,125	2,963,615	2,090,869	1,610,702	1,718,547	2,139,587
Total pension liability - ending (a)	$ 2,028,974	$ 1,338,125	$ 2,963,614	$ 2,090,869	$ 1,610,702	$ 1,718,547
Plan Fiduciary Net Position**						
Contributions - Employer	$ 16,746	$ 12,798	n/a	n/a	n/a	n/a
Net Investment Income	1,045	160,170	n/a	n/a	n/a	n/a
Net Change in Plan Fiduciary Net Position	17,791	172,968				
Plan Fiduciary Net Position - Beginning	629,358	456,390				
Plan Fiduciary Net Position - Ending (b)	$ 647,149	$ 629,358	$	$	$	$
Plan's Net Pension Liability (Asset) - Ending (a) - (b)	$ 1,381,825	$ 708,767	$	$	$	$
College's proportion of pension liability	2.0103%	2.0200%	2.0205%	1.8942%	1.8477%	1.8080%
Covered-employee payroll	$ 13,262,641	$ 13,082,061	$ 12,174,844	$ 11,349,712	$ 10,830,863	$10,493,138
Total pension liability as a percent of covered payroll	10.42%	10.23%	24.34%	18.42%	14.87%	16.38%

**Due to changes in legislation, assets from this higher education institution plan that was previously not administered through a trust, was placed into a trust or similar arrangement. As a result, this plan previously reported under GASB Statement No. 73, is now reported under GASB Statement No. 68. This change is effective for fiscal year 2022.

State Board Supplemental Defined Benefit Plans
Schedule of Employer Contributions

SBRP
As of June 30
Last Two Fiscal Years

Year Ended June 30,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	$ 1,107,199	$ (1,107,199)	$ -	$ 13,262,641	8.35%
2021	$ 1,067,644	$ (1,067,644)	$ -	$ 13,082,061	8.16%

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 were considered accumulated in trusts or equivalent arrangements prior to fiscal year 2022. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, salary growth and the variable income investment return.

Effective fiscal year 2022, House Bill 1661 created dedicated funds to pay SRP benefits that mimic the trust arrangement for the rest of the state retirement systems. As a result, the plan, previously reported under GASB Statement No. 73 is now being reported under GASB Statement No. 68. These schedules will be built prospectively until they contain 10 years of data.

Cost Sharing Employer Plans
Schedule of Proportionate Share of the Net Pension Liability (Asset)

PERS 1
As of June 30
Last Eight Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.057922%	$ 707,363	$ 8,873,004	7.97%	88.74%
2020	0.060508%	2,136,259	9,153,461	23.34%	68.64%
2019	0.061774%	2,375,430	8,651,604	27.46%	67.12%
2018	0.061034%	2,725,798	8,076,087	33.75%	63.22%
2017	0.060039%	2,848,897	7,534,020	37.81%	61.24%
2016	0.059615%	3,201,606	7,088,864	45.16%	57.03%
2015	0.058480%	3,059,048	6,659,738	45.93%	59.10%
2014	0.056804%	2,861,528	6,141,255	46.60%	61.19%

PERS 2/3
As of June 30
Last Eight Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.074085%	$ (7,380,058)	$ 8,860,962	-83.29%	120.29%
2020	0.078660%	1,006,017	9,146,989	11.00%	97.22%
2019	0.079117%	768,495	8,626,788	8.91%	97.77%
2018	0.077461%	1,322,577	8,037,846	16.45%	95.77%
2017	0.076363%	2,653,248	7,497,276	35.39%	90.97%
2016	0.075574%	3,805,091	7,052,812	53.95%	85.82%
2015	0.074665%	2,667,824	6,624,698	40.27%	89.20%
2014	0.070723%	1,429,567	6,048,603	23.63%	93.29%

TRS 1
As of June 30
Last Eight Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.010298%	$ 69,336	$ 767,494	9.03%	91.42%
2020	0.009862%	237,554	714,691	33.24%	70.55%
2019	0.009790%	242,381	662,895	36.56%	70.37%
2018	0.010987%	320,885	655,876	48.92%	70.37%
2017	0.010386%	313,997	573,979	54.71%	65.58%
2016	0.008230%	280,992	418,067	67.21%	62.07%
2015	0.007150%	226,522	353,651	64.05%	65.70%
2014	0.006548%	193,131	311,323	62.04%	68.77%

TRS 2/3
As of June 30
Last Eight Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.010336%	$ (284,117)	$ 767,494	-37.02%	113.72%
2020	0.009993%	153,491	714,691	21.48%	91.72%
2019	0.009890%	59,591	662,895	8.99%	96.36%
2018	0.011177%	50,309	655,876	7.67%	96.36%
2017	0.010640%	98,201	573,979	17.11%	93.14%
2016	0.008428%	115,741	418,067	27.68%	88.72%
2015	0.007566%	63,842	353,651	18.05%	92.48%
2014	0.007061%	22,806	311,323	7.33%	96.81%

Cost Sharing Employer Plans
Schedule of Employer Contributions

PERS 1
As of June 30
Last Nine Fiscal Years

Year Ended June 30,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	$ 338,349	$ (338,349)	$ -	$ 9,098,857	3.72%
2021	431,449	(431,449)	-	8,873,004	4.86%
2020	436,237	(436,237)	-	9,153,462	4.77%
2019	444,492	(444,492)	-	8,651,603	5.14%
2018	411,848	(411,848)	-	8,070,279	5.10%
2017	365,811	(365,811)	-	7,534,020	4.86%
2016	338,077	(338,077)	-	7,088,864	4.77%
2015	268,776	(268,776)	-	6,659,738	4.04%
2014	251,435	(251,435)	-	6,141,255	4.09%

PERS 2/3
As of June 30
Last Nine Fiscal Years

Year Ended June 30,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	$ 578,035	$ (578,035)	$ -	$ 9,087,423	6.36%
2021	701,788	(701,788)	-	8,860,962	7.92%
2020	724,214	(724,214)	-	9,146,989	7.92%
2019	648,378	(648,378)	-	8,626,787	7.52%
2018	603,053	(603,053)	-	8,032,145	7.51%
2017	474,922	(474,922)	-	7,497,276	6.33%
2016	436,283	(436,283)	-	7,052,812	6.19%
2015	332,598	(332,598)	-	6,624,698	5.02%
2014	298,762	(298,762)	-	6,048,603	4.94%

TRS 1
As of June 30
Last Nine Fiscal Years

Year Ended June 30,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	$ 55,112	$ (55,112)	$ -	$ 869,268	6.34%
2021	56,601	(56,601)	-	767,494	7.37%
2020	51,494	(51,494)	-	714,691	7.21%
2019	48,882	(48,882)	-	662,895	7.37%
2018	46,205	(46,205)	-	650,223	7.11%
2017	36,244	(36,244)	-	573,979	6.31%
2016	18,729	(18,729)	-	418,067	4.48%
2015	16,001	(16,001)	-	353,651	4.52%
2014	12,948	(12,948)	-	311,323	4.16%

TRS 2/3
As of June 30
Last Eight Fiscal Years

Year Ended June 30,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	$ 70,083	$ (70,083)	$ -	$ 869,268	8.06%
2021	62,551	(62,551)	-	767,494	8.15%
2020	57,987	(57,987)	-	714,691	8.11%
2019	51,905	(51,905)	-	662,895	7.83%
2018	49,880	(49,880)	-	650,223	7.67%
2017	38,741	(38,741)	-	573,979	6.75%
2016	33,794	(33,794)	-	418,067	8.08%
2015	20,107	(20,107)	-	353,651	5.69%
2014	17,326	(17,326)	-	311,323	5.57%

Cost Sharing Employer Plans
Notes to Required Supplemental Information

As of June 30
Last Nine Fiscal Years

Note 1: Information Provided
GASB 68 was implemented for the year ended June 30, 2014 for retirement plans administered by Department of Retirement Systems (DRS); therefore, there is no data available for years prior to 2014 for these plans.

Note 2: Significant Factors
There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions for DRS administered

Other Postemployment Benefits (OPEB) Information

Schedule of Changes in Total OPEB Liability and Related Ratios
Fiscal Year Ended June 30*

Total OPEB Liability	**2022**	**2021**	**2020**	**2019**	**2018**
Service cost	$ 924,792	$ 736,761	$ 690,062	$ 924,226	$ 1,126,806
Interest cost	399,690	616,313	598,589	635,400	527,803
Difference between expected and actual experience	-	(94,444)	-	579,997	-
Changes in assumptions	170,769	399,508	1,114,729	(4,046,125)	(2,574,632)
Benefit payments	(304,508)	(293,436)	(273,818)	(268,361)	(268,976)
Changes in proportionate share	(442,455)	(24,891)	130,447	336,320	(841,668)
Other	-	(627,760)	-	-	-
Net Changes in Total OPEB Liability	748,288	712,051	2,260,009	(1,838,543)	(2,030,667)
Total OPEB Liability - Beginning	17,754,575	17,042,524	14,782,515	16,621,058	18,651,725
Total OPEB Liability - Ending	$ 18,502,863	$ 17,754,575	$ 17,042,524	$ 14,782,515	$ 16,621,058
College's proportion of the Total OPEB Liability (%)	0.285905%	0.293212%	0.293641%	0.291073%	0.285300%
Covered-employee payroll	$ 22,686,840	$ 21,830,172	$ 21,316,787	$ 19,985,746	$ 18,838,019
Total OPEB Liability as a percentage of covered-employee payroll	81.557692%	81.330440%	79.948840%	73.965290%	88.231454%

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

Notes to Required Supplementary Information - OPEB

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.