Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Skagit Valley College

For the period July 1, 2020 through June 30, 2021

Published May 19, 2022

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Office of the Washington State Auditor
Pat McCarthy

May 19, 2022

Board of Trustees
Skagit Valley College
Mount Vernon, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

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Skagit Valley College
July 1, 2020 through June 30, 2021

Board of Trustees
Skagit Valley College
Mount Vernon, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Skagit Valley College, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated May 11, 2022.

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

The financial statements of the Skagit Valley 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, 2021, 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.

As discussed in Note 2 to the financial statements, legislation created a trust arrangement for assets dedicated to paying the Higher Education Supplemental Retirement Plan benefits to plan members. As a result, the College transitioned to accounting for the plan in accordance with Governmental Accounting standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy, State Auditor

Olympia, WA

May 11, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Skagit Valley College
July 1, 2020 through June 30, 2021

Board of Trustees
Skagit Valley College
Mount Vernon, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Skagit Valley College, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Skagit Valley College, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Skagit Valley 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, 2021, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, legislation created a trust arrangement for assets dedicated to paying the Higher Education Supplemental Retirement Plan benefits to plan members. As a result, the College transitioned to accounting for the plan in accordance with Governmental Accounting standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

May 11, 2022

FINANCIAL SECTION

Skagit Valley College
July 1, 2020 through June 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

Skagit Valley College

The following discussion and analysis provides an overview of the financial position and activities of Skagit Valley College (the College) for the fiscal year ended June 30, 2021 (FY 2021). 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.

Skagit Valley 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 8,500 students. The College confers applied baccalaureate degrees, associates degrees, certificates and high school diplomas. The College was established in 1926 and its primary purpose is to provide opportunities for students in pursuit of their educational and employment goals, while contributing to the economic and cultural enrichment of its communities.

The College's main campus is located in Mount Vernon, Washington, a community of about 36,000 residents. The College operates a second, smaller campus located in Oak Harbor, a city of about 23,000 residents on Whidbey Island. In addition, the College operates two educational centers – one in Friday Harbor on San Juan Island, and a Marine Technology Center in Anacortes. The College also operates a Craft Brewing program in Burlington. 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. In accordance with Washington State law governing technical colleges, the College's board includes one member from business and one member from labor. In addition, the college has a Governor-appointed student trustee who is prohibited from voting on personnel or collective bargaining matters. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit, its Foundation. The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2021. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

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

Statement of Net Position

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

Condensed Statement of Net Position As of June 30, 2021			
		2021	**2020**
Assets			
	Current Assets	$ 23,510,714	$ 18,755,039
	Capital Assets, net	77,989,032	78,390,773
	Other Assets, non-current	679,761	672,683
Total Assets		102,179,507	97,818,495
Deferred Outflows of Resources		5,765,200	5,403,291
Liabilities			
	Current Liabilities	8,118,281	8,973,316
	Other Liabilities, non-current	45,491,850	49,193,240
Total Liabilities		53,610,131	58,166,556
Deferred Inflows of Resources		9,760,283	9,544,375
Net Position			
	Net Investment in Capital Assets	60,638,343	59,615,647
	Restricted	143,830	188,650
	Unrestricted	(16,207,879)	(24,293,441)
Total Net Position, as restated		44,574,294	35,510,856

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The increase of current assets in FY 2021 can be attributed to an increase in Cash and cash equivalents, related to an increase in the Local Government Investment Pool balance.

Net capital assets decreased by $401,741 from FY 2020 to FY 2021. The decrease is primarily the result of current depreciation expense of $2,638,414. This decrease was offset in part by ongoing acquisitions of capitalizable equipment and the construction of a new Early Learning Child Care Center which is expected to be completed in 2022.

Non-current assets are the long-term portion of certain investments. The slight increase in long-term investments is due to interest received.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated related to GASB Statement No. 68and 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.

Similarly, the increase in deferred inflows in 2021 reflects the increase in difference between actual and projected investment earnings on the state's pension plans and 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, 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.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation (COP) debt, and pension liabilities. The college's decrease in non-current liabilities is the result of a decrease in the State Board Retirement Plan net pension liability.

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

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

Restricted:

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

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

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

Net Position As of June 30th	**FY 2021**	**FY 2020**
Net investment in capital assets	$60,638,343	$59,615,647
Restricted		
Expendable - 3.5% Institutional Loan Fund	$138,616	$183,408
Expendable - Student Loans	$5,214	$5,243
Unrestricted	-$16,207,879	-$24,293,441
Total Net Position	**$44,574,294**	**$35,510,857**

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position accounts for the College's changes in total net position during FY 2021. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains and losses of the College.

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

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

A condensed comparison of the College's revenues, expense and changes in net position for the years ended June 30, 2021 and 2020 is presented below.

Skagit Valley College
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Student tuition and fees, net	9,599,382	10,696,023
Auxiliary enterprise sales	492,628	1,208,044
Grants and contracts	24,817,897	25,295,559
Other operating revenues	226,864	1,119,682
Total operating revenues	**35,136,771**	**38,319,308**
Non-Operating Revenues		
State appropriations	25,823,392	22,624,008
Federal Pell grant revenue	4,305,797	5,769,504
Other non-operating revenues	2,371,320	1,313,649
Total non-operating revenues	32,500,509	29,707,161
Total revenues	**67,637,280**	**68,026,469**
Operating Expenses		
Salaries and Benefits	38,368,216	42,060,767
Scholarships	7,963,340	8,754,365
Depreciation	2,638,414	2,631,749
Other operating expenses	14,914,404	12,041,435
Total operating expenses	**63,884,374**	**65,488,316**
Non-Operating Expenses		
Building fee remittance	997,482	1,139,645
Other non-operating expenses	1,157,305	1,209,620
Total non-operating expenses	**2,154,787**	**2,349,265**
Total expenses	66,039,161	67,837,581
Excess (deficiency) before capital contributions	**1,598,119**	**188,888**
Capital appropriations and contributions	**7,465,329**	**2,890,370**
Change in Net position	**9,063,448**	**3,079,258**
Net Position		
Net position, beginning of year	35,510,856	32,431,598
Net position, end of year	**44,574,304**	**35,510,856**

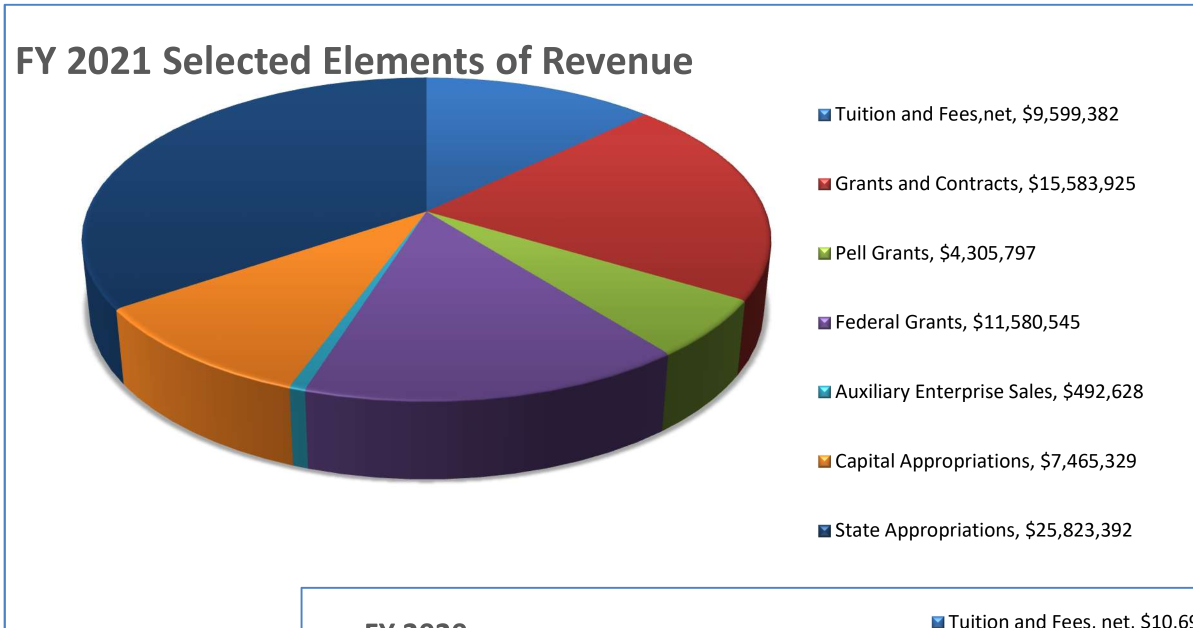
Revenues

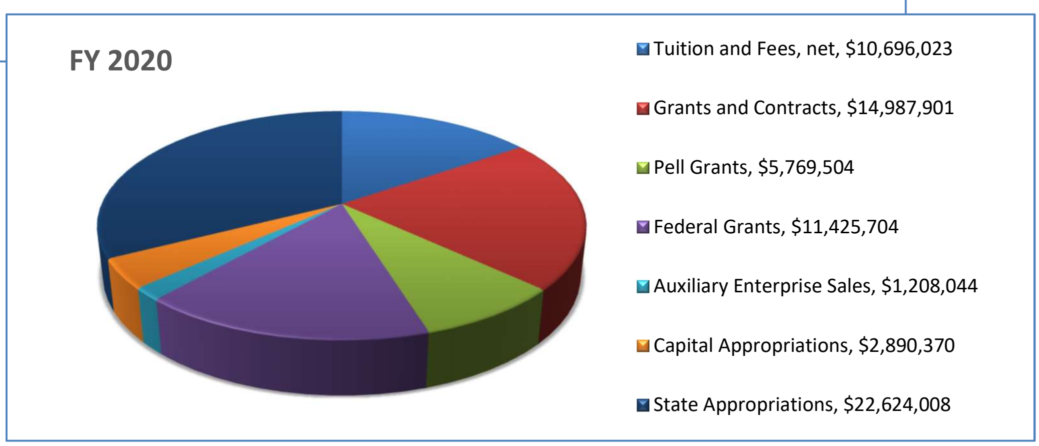
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2021, the SBCTC allocated funds to each of the 34 college's based on 3 year average FTE actuals. Additionally, the Supplemental Budget also reduces the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation will continue in FY22.

Although the state increased tuition by 2.5% in FY21, the College's decrease in tuition and fee revenue is primarily attributable to the decline in enrollment, along with changes in enrollment levels such as fewer international students and fewer ABE enrollments. Most community colleges in the state have had decreased enrollments due to the COVID-19 pandemic and only being able to serve students remotely.
Pell grant revenues generally follow enrollment trends. As the College's enrollment softened during FY 2021, so did the College's Pell Grant revenue.

In FY 21, grant and contract revenues decreased slightly by $477,662 when compared with FY 20. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College also serves contracted international students who are not supported by state dollars.

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



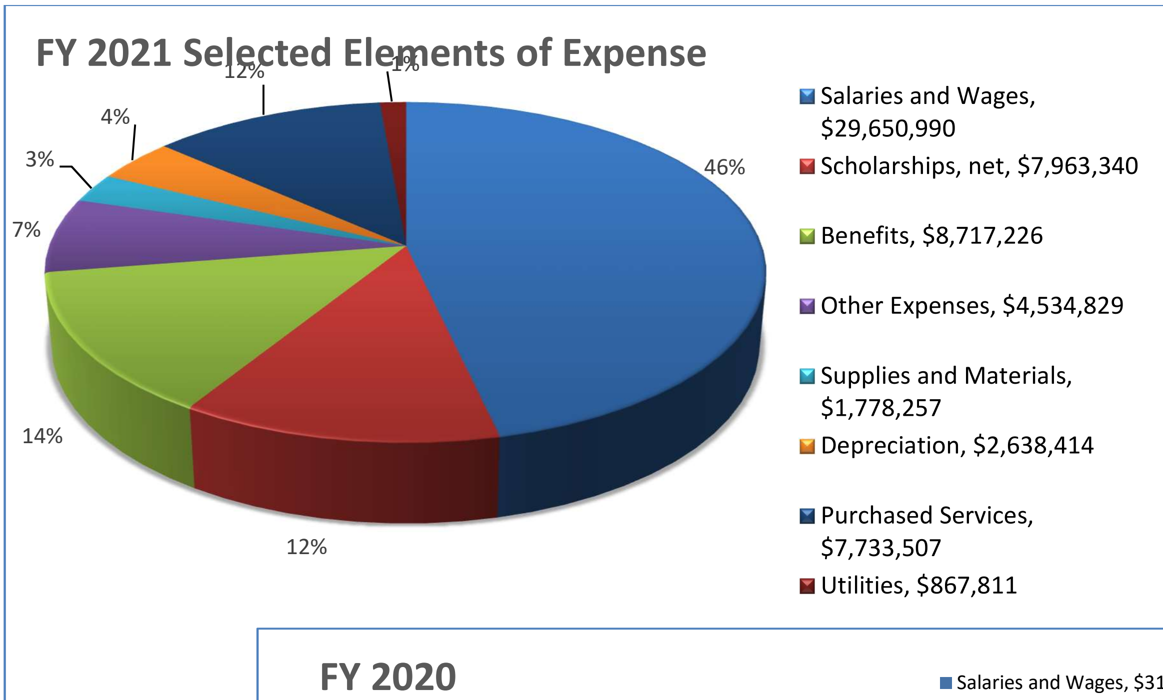


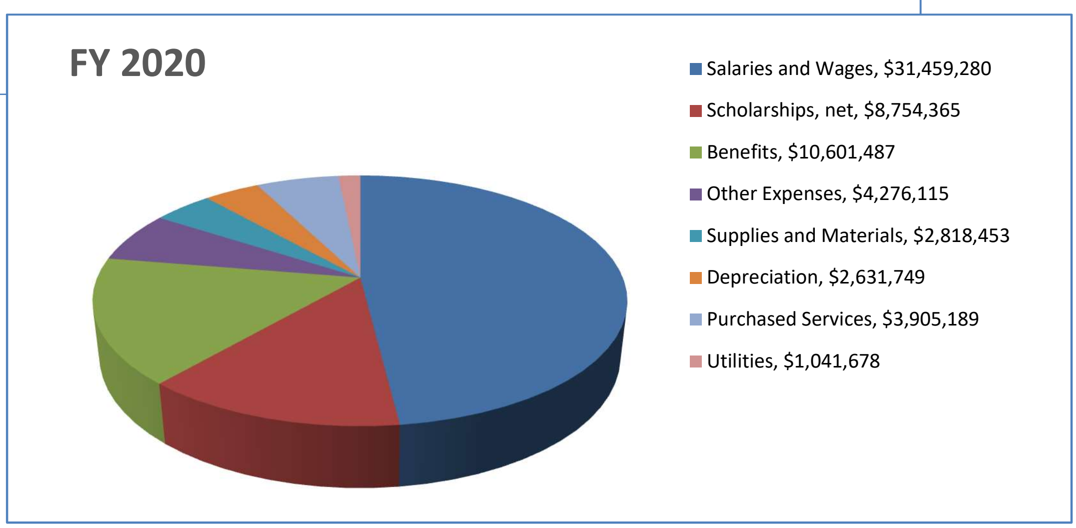
Expenses
The Colleges has continuously sought opportunities to identify savings and efficiencies, and invest these dollars in areas that show direct correlation to mission fulfillment.

More recently, in FY 2021, salary and wages costs decreased as result of anticipated state budget reductions related to the COVID-19 Pandemic. State agencies were told to expect budget reductions so the college went through a budget reduction process to identify efficiencies and eliminate positions across campus.

Utility costs have also decreased, due the COVID-19 pandemic. Most staff worked remotely, saving on usage of utilities across our campuses. Purchased services are significantly higher in FY 2021, primarily a result of increased spending related to capital projects. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs. These fluctuations are to be expected.

Comparison of Selected Operating Expenses by Function
The chart below shows the amount, in dollars, for selected functional areas of operating expenses for FY 2021 and FY 2020.





Capital Assets and Long-Term Debt Activities

The community and technical college system submit 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, 2021, the College had invested $77,989,032 in capital assets, net of accumulated depreciation. This represents a decrease of $401,741 from last year, as shown in the table below.

Asset Type	June 30, 2021	June 30, 2020	Change
Land	$1,868,450	$1,868,450	$0
Construction in Progress	$1,303,158	$16,026	$1,287,132
Buildings, net	$70,719,158	$72,918,397	($2,199,239)
Other Improvements and Infrastructure, net	$2,327,082	$2,531,634	($204,552)
Equipment, net	$1,706,793	$996,975	$709,818
Library Resources, net	$64,390	$59,290	$5,100
Total Capital Assets, Net	**$77,989,032**	**$78,390,773**	**($401,741)**

The decrease in net capital assets can be attributed to current year depreciation expense, offset by the continued construction of our new Early Learning Child Care Center. Additional information on capital assets can be found in Note #7 of the Notes to the Financial Statements.

At June 30, 2021, the College had $17,350,689 in outstanding debt. This represents a decrease of $1,424,437 from last year, as shown in the table below.

	June 30, 2021	June 20, 2020	Change
Certificates of Participation	17,350,689	18,775,126	(1,424,437)
Total	**$ 17,350,689**	**$ 18,775,126**	**$ (1,424,437)**

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

Economic Factors That May Affect the Future

In FY 2017, the State Board for Community and Technical College elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new 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. In fiscal year 2020 we receive a significant increase in funding as a result of the Workforce Education Investment Act (E2SHB 2158). The bill created a new fund, the Workforce Education Investment

Account. Appropriations from the account are supported by an increase in the Business and Occupation tax. These funds were allocated to the colleges as directed in the legislation. Most of these appropriations are budgeted to continue in fiscal year 2022. There were no other significant changes to the method of allocating funds to college districts.

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

Skagit Valley College demonstrates financial stability with sufficient cash flow and reserves to support its programs and services. Financial planning reflects available funds, realistic development of financial resources and appropriate risk management to ensure short-term solvency and anticipate long-term obligations, including payment of future liabilities.

Skagit's financial position is one of low capital debt, stable operating budget, and overall reserves that translate to roughly two months of operating costs. Skagit's annual on-going operating budget is approximately $42 million. Skagit develops and adheres to a balanced operating budget each year. A financial report is prepared for each Board of Trustees meeting; this includes the college's current position on key elements, including any new budget resources received during the year, budget to actual spending and cash tuition collections.

Skagit Valley College Statement of Net Position

Skagit Valley College
Statement of Net Position
June 30, 2021

Assets	
Current assets	
Cash and cash equivalents	$ 16,501,204
Accounts receivable	6,478,950
Student loans receivable	8,446
Inventories	436,204
Prepaid expenses	85,910
Total current assets	23,510,714
Non-Current Assets	
Long-term investments	679,761
Non-depreciable capital assets	3,171,608
Capital assets, net of depreciation	74,817,424
Total non-current assets	78,668,793
Total assets	**102,179,507**
Deferred Outflows of Resources	
Deferred outflows related to pensions	2,920,200
Deferred outflows related to OPEB	2,845,000
Total deferred outflows of resources	5,765,200
Liabilities	
Current Liabilities	
Accounts payable	1,282,029
Accrued liabilities	3,419,755
Compensated absences, current portion	798,955
Deposits payable	13,735
Unearned revenue	668,194
Certificates of participation payable, current portion	1,495,689
Net pension liability, current portion	52,421
Total OPEB liability, current portion	387,502
Total current liabilities	8,118,281
Non-Current Liabilities	
Compensated absences	3,528,292
Certificates of participation payable	15,855,000
Net pension liability	4,465,512
Total OPEB liability	21,643,045
Total non-current liabilities	45,491,850
Total liabilities	**53,610,131**
Deferred Inflows of Resources	
Deferred inflows related to pensions	3,881,463
Deferred inflows related to OPEB	5,878,820
Total deferred inflows of resources	9,760,283
Net Position	
Net Investment in Capital Assets	60,638,343
Restricted for:	
Expendable	138,616
Student Loans	5,214
Unrestricted (deficit)	(16,207,879)
Total Net Position	**$ 44,574,294**

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

Skagit Valley College Statement of Revenues, Expenses and Changes in Net Position

Skagit Valley College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

Operating Revenues	
Student tuition and fees, net of scholarship discounts and allowances	$ 9,599,382
Auxiliary enterprise sales	492,628
State and local grants and contracts	15,583,925
Federal grants and contracts	9,233,972
Other operating revenues	226,864
Total operating revenue	35,136,771
Operating Expenses	
Salaries and wages	29,650,990
Benefits	8,717,226
Scholarships and fellowships	7,963,340
Supplies and materials	1,778,257
Depreciation	2,638,414
Purchased services	7,733,507
Utilities	867,811
Other operating expenses	4,534,829
Total operating expenses	63,884,374
Operating income (loss)	(28,747,603)
Non-Operating Revenues (Expenses)	
State appropriations	25,823,392
Federal non-operating revenue	2,346,573
Federal Pell grant revenue	4,305,797
Investment income, gains and losses	24,747
Capital asset adjustments	(54,029)
Building fee remittance	(997,492)
Innovation fund remittance	(252,620)
Interest on indebtedness	(850,656)
Net non-operating revenue (expenses)	**30,345,712**
Income or (loss) before other revenues, expenses, gains, or losses	1,598,109
Capital Contributions	
Capital appropriations	7,465,329
Increase (Decrease) in net position	9,063,438
Net Position	
Net position, beginning of year	35,510,856
Net position, end of year	$ 44,574,294

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

Skagit Valley College Statement of Cash Flows

Skagit Valley College
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash flows from operating activities	
Student tuition and fees	$ 9,470,236
Grants and contracts	24,852,102
Payments to vendors	(10,146,806)
Payments for utilities	(834,405)
Payments to employees	(30,049,576)
Payments for benefits	(10,883,771)
Auxiliary enterprise sales	484,334
Payments for scholarships and fellowships	(7,963,340)
Loans issued to students and employees	27,430
Collection of loans to students and employees	-
Other receipts	226,864
Other payments	(6,780,403)
Net cash used by operating activities	(31,597,335)
Cash flows from noncapital financing activities	
State appropriations	25,823,392
Pell grants	4,305,797
Amounts for other than capital purposes	2,346,573
Building fee remittance	(997,492)
Innovation fund remittance	(252,620)
Net cash provided by noncapital financing activities	31,225,650
Cash flows from capital and related financing activities	
Proceeds of capital debt	-
Capital appropriations	7,465,329
Purchases of capital assets	(2,290,703)
Certificate of participations proceeds	-
Principal paid on capital debt	(1,424,436)
Interest paid	(850,656)
Net cash used by capital and related financing activities	2,899,534
Cash flows from investing activities	
Purchase of investments	(7,078)
Proceeds from sales and maturities of investments	-
Income of investments	24,747
Net cash provided by investing activities	17,669
Increase in cash and cash equivalents	2,545,065
Cash and cash equivalents at the beginning of the year	13,956,139
Cash and cash equivalents at the end of the year	16,501,203
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(28,747,603)

Continued on next page

Skagit Valley College Statement of Cash Flows – Continued

Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense		2,638,414
Changes in assets and liabilities		
Receivables, net		(2,250,559)
Inventories		6,324
Other assets		6,196
Accounts payable		243,089
Accrued liabilities		(1,023,566)
Unearned revenue		(97,212)
Compensated absences		(252,810)
Pension liability adjustment		(2,139,805)
Deposits payable		(7,234)
Loans to students and employees		27,430
Net cash used by operating activities	$	(31,597,335)

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

Foundation Statement of Financial Position

Skagit Valley College Foundation

Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 1,590,425	$ 1,678,860
Pledges receivable	11,085	33,672
Advances due from Skagit Valley College	95,875	35,777
Investments	19,533,910	16,004,154
Property and equipment, net	1,499,050	1,497,075
Other assets	34,055	20,958
Total assets	$ 22,764,400	$ 19,270,496
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 11,919	$ 13,710
Deferred revenue from fundraising activites	6,475	31,525
Advances due to Skagit Valley College	243,782	312,642
Tenant security deposits and prepaid rent	33,076	29,001
Passthrough funds held as agent	46,444	40,389
Long-term debt, net	508,546	666,395
Total liabilities	850,242	1,093,662
Net assets		
Without donor restrictions		
Board designated – Endowment	3,237,717	2,328,987
Board designated – Endowment for operating reserve	119,942	99,473
Board designated – Campus View Village	1,398,542	1,272,209
Board designated – Booster Club	232,843	266,233
Board designated – SVC Cardinal Complete Program	5,000	5,000
Board designated – President's Development Fund	6,960	2,896
Undesignated	290,733	(39,198)
Total net assets without donor restrictions	5,291,737	3,935,600
With donor restrictions	16,622,421	14,241,234
Total net assets	21,914,158	18,176,834
Total liabilities and net assets	$ 22,764,400	$ 19,270,496

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

Foundation Statement of Activities

Skagit Valley College Foundation

Statements of Activities

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Support and revenue						
Contributions	$ 799,797	$ 1,061,505	$ 1,861,302	$ 621,456	$ 1,083,477	$ 1,704,933
In-kind salaries	187,552	-	187,552	118,000	-	118,000
Investment return	970,932	2,323,643	3,294,575	169,207	432,371	601,578
Campus housing and related income	598,820	-	598,820	622,625	-	622,625
Fundraising activities, net of direct expenses of $7,939 and $39,198 for 2021 and 2020, respectively	121,524	-	121,524	174,979	-	174,979
Other income	42,472	-	42,472	109,974	-	109,974
Satisfaction of restrictions	1,003,961	(1,003,961)	-	729,136	(729,136)	-
Total support and revenue	3,725,058	2,381,187	6,106,245	2,545,377	786,712	3,332,089
Expenses						
Program services	2,088,810	-	2,088,810	1,567,480	-	1,567,480
Management and general	184,045	-	184,045	208,890	-	208,890
Fundraising activities	96,066	-	96,066	116,710	-	116,710
Total expenses	2,368,921	-	2,368,921	1,893,080	-	1,893,080
Change in net assets	1,356,137	2,381,187	3,737,324	652,297	786,712	1,439,009
Net assets – beginning of year	3,935,600	14,241,234	18,176,834	3,283,303	13,454,522	16,737,825
Net assets – end of year	$ 5,291,737	$ 16,622,421	$ 21,914,158	$ 3,935,600	$ 14,241,234	$ 18,176,834

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

Notes to the Financial Statements

June 30, 2021
These notes form an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity
Skagit Valley College (the College) is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers applied baccalaureate degrees, 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 Annual Financial Report. These notes form an integral part of the financial statements.

The Skagit Valley College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1978 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to solicit and receive contributions to provide enhancements at Skagit Valley College and support for its students. Activities include support of academic programs and scholarship assistance to students, and operation of student housing. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the college or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2021, the Foundation distributed approximately $1,275,197 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at 360-416-7821.

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

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

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

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

Cash, Cash Equivalents and Investments
Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College records all cash and cash equivalents at fair value. Investments in the state's LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. All other investments are reported 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. 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; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

The college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2021, no assets had been written down.

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

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

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

The College also reports its share of the net pension liability for the State Board Retirement Plan in accordance with GASB 68 Accounting and Financial Reporting for Pensions and Related Assets. This is a change in assumptions from prior years.

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 Loans. The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.
- Restricted for Expendable. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.
- Unrestricted. These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.
- When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources and then towards restricted resources.

Classification of Revenues and Expenses

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

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

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

Non-operating Revenues. This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government. In FY 21, 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, 2021 are $4,454,336.

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 on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

Note 2 - Accounting and Reporting Changes

The Washington State Legislature adopted House Bill 1661 on March 11, 2020 which established individual dedicated funds for each institution of higher education's supplemental retirement benefit contributions as of July 1, 2020. With the establishment of these individual funds, the State Board Retirement Plan (SBRP) mimics a trust arrangement similar to the rest of the state retirement system. This change results in the SBRP plan being reported under GASB 68 rather than GASB 73 as was previously reported.

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

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

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

Note 3 - Deposits and Investments

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

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

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

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

As of June 30, 2021, the carrying amount of the College's cash and equivalents was $16,501,204 as represented in the table below.

Cash and Cash Equivalents		June 30, 2021
Petty Cash and Change Funds	$	8,490
Bank Demand and Time Deposits		1,223,991
Local Government Investment Pool		15,268,723
Total Cash and Cash Equivalents	**$**	**16,501,204**

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

Investments
Investments consist of a fixed annuity. The College measures and reports investments at fair value. Fair value measurement is based on the assumptions that market participants would use in pricing the asset. The three levels of the fair value hierarchy are described as:

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

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

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. All of the College's investments fall within the hierarchy of Level 1.

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Fixed Annuity	679,761	-	679,761	-	-
Total Investments	**679,761**	**-**	**679,761**	**-**	**-**

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

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, 2021, all of the College's operating fund investments were held by the College's custodian banks in the College's name.

Investment Expenses
Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2021 were $630.

Note 4 - Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2021, accounts receivable were as follows:

Accounts Receivable		**Amount**
Student Tuition and Fees	$	894,122
Due from the Federal Government		496,165
Due from Other State Agencies		1,807,051
Auxiliary Enterprises		50,837
Other		3,354,108
Subtotal		6,602,283
Less Allowance for Uncollectible Accounts		(123,333)
Accounts Receivable, net	**$**	**6,478,950**

Note 5 - Loans Receivable

Loans receivable as of June 30, 2021 consisted primarily of student loans, as follows:

Loans Receivable		**Amount**
Student Loans Receivable	$	8,743
Subtotal		8,743
Less Allowance for Uncollectible Accounts		(297)
Loans Receivable, net	**$**	**8,446**

Note 6 – Inventories

Inventories as of June 30, 2021, were as follows:

Inventories	**Method**		**Amount**
Merchandise Inventories	FIFO		436,204
Inventories		**$**	**436,204**

Note 7 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2021 is presented as follows. The current year depreciation expense was $2,638,414.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	$ 1,868,450	$ -	$ -	$ 1,868,450
Construction in progress	16,026	1,287,133	-	1,303,158
Total capital assets, non-depreciable	1,884,476	1,287,133	-	3,171,608
Capital assets, depreciable				
Buildings	104,310,109	-	(127,732)	104,182,377
Other improvements and infrastructure	3,629,927	-	-	3,629,927
Equipment	6,409,067	986,835	-	7,395,902
Library resources	3,306,994	23,593	-	3,330,587
Total capital assets, depreciable	117,656,097	1,010,428	(127,732)	118,538,794
Less accumulated depreciation				
Buildings	31,391,711	2,138,355	(66,846)	33,463,219
Other improvements and infrastructure	1,098,294	204,550	-	1,302,845
Equipment	5,412,092	277,017	-	5,689,109
Library resources	3,247,704	18,493	-	3,266,197
Total accumulated depreciation	41,149,801	2,638,414	(66,846)	43,721,369
Total capital assets, depreciable, net	76,506,296	(1,627,986)	(60,886)	74,817,424
Capital assets, net	$ 78,390,772	$ (340,854)	$ (60,886)	$ 77,989,032

Note 8 - Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2021, were as follows:

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 2,343,247
Accounts Payable	1,282,029
Amounts Held for Others and Retainage	1,076,508
Total	**$ 4,701,784**

Note 9 - Unearned Revenue

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

Unearned Revenue		Amount
Summer & Fall Quarter Tuition & Fees	$	656,978
Housing and Other Deposits		11,216
Total Unearned Revenue	$	668,194

Note 10 - Risk Management

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

The College purchases commercial property insurance through the master property program administered by the Department of Enterprise Services for buildings that were acquired with COP proceeds. The policy has a deductible of $250,000 per occurrence and the policy limit is $100,000,000 per occurrence. The college has had no claims in excess of the coverage amount within the past three years. The College assumes its potential property losses for most other buildings and contents.
The College participates in a State of Washington risk management self-insurance program, which covers its exposure to tort, general damage and vehicle claims. Premiums paid to the State are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. Coverage is provided up to $10,000,000 for each claim with no deductible. The college has had no claims in excess of the coverage amount within the past three years.

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. Payments made for claims from July 1, 2020 through June 30, 2021, were $248,985.21.

Note 11 - Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (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 $1,806,795 and accrued sick leave totaled $2,059,152 at June 30, 2021.

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.
In addition to vacation and sick leave accrued, compensated absences also include faculty tenure purchase retirement options. These faculty retirement buyouts may be spread out over a period of years. The amount due to faculty in fiscal year 2022 is categorized as a current liability in the amount

of $407,325, and the amount spread over longer periods is categorized as non-current liabilities in the amount of $53,975.

Note 12 - Notes Payable

In February 2007, the College obtained financing in order to renovate the Student Campus Center Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $3,250,000. The interest rate charged was 4.29%. In April 2016, OST refinanced this debt in the amount of $1,380,000 at a new interest rate of 1.38%. Students assess themselves, on a quarterly basis, a mandatory fee that services a portion of this debt. The remaining portion of the debt is covered by the general operating budget of the college. Student fees related to these COP(s) are accounted for in a dedicated fund, which is used to pay principal and interest, not coming out of the general operating budget.

In August 2012, the College obtained financing in order to install energy efficient upgrades through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $209,900. The interest rate charged is 1.89%.

In August 2012, the College obtained financing in order to renovate the Lewis Hall Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $25,745,000. The interest rate charged is 3.10%.

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

Note 13 - Annual Debt Service Requirements

Future debt service requirements at June 30, 2021 are as follows:

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2022	$ 1,495,689	$ 779,434	$ 2,275,124
2023	1,270,000	704,650	1,974,650
2024	1,335,000	641,150	1,976,150
2025	1,405,000	574,400	1,979,400
2026	1,480,000	504,150	1,984,150
2027-2032	10,365,000	1,515,350	11,880,350
Total	**$ 17,350,689**	**$ 4,719,134**	**$ 22,069,824**

Note 14 - Schedule of Long Term Liabilities

	Balance outstanding 6/30/20	Additions	Reductions	Balance outstanding 6/30/21	Current portion
Certificates of Participation	$ 18,775,126	$ -	$ 1,424,436	$ 17,350,689	$ 1,495,689
Compensation absences	4,580,511	606,352	859,615	4,327,248	798,955
Net pension liability	7,609,618	4,158,171	7,249,855	4,517,934	52,421
OPEB liability	20,932,665	8,922,231	7,824,349	22,030,547	387,502
Total	**$ 51,897,920**	**$ 13,686,754**	**$ 17,358,255**	**$ 48,226,419**	**$ 2,734,567**

Note 15 - Retirement Plans

A. General

The College offers three contributory pension plans: the Washington State Public Employees' Retirement System (PERS), the Washington State Teachers' Retirement System (TRS), and the State Board Retirement Plan (SBRP). PERS and TRS are cost sharing multiple-employer defined-benefit pension plans administered by the Washington State Department of Retirement Systems (DRS). The State Board Retirement Plan (SBRP) is a defined contribution single employer pension plan with a supplemental payment when required. The SBRP is administered by the State Board for Community and Technical Colleges (SBCTC) and available to faculty, exempt administrative and professional staff of the state's public community and technical colleges. The College reports its proportionate share of the 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, 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 2021:

Aggregate Pension Amounts - All Plans		
Pension Liabilities	$	4,517,934
Deferred outflows of resources related to pensions	$	2,920,200
Deferred inflows of resources related to pensions	$	3,881,463
Pension Expense	$	(646,541)

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

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

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

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

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

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

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

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

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

PERS

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

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

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

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

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

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

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

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

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

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

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

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

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

TRS

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

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

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

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

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

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

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

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

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

Contributions

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

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

The employer contribution rates (expressed as a percentage of covered payroll) and actual contributions for the year ended June 30, 2021 were as follows:

		PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rates	7/1/20 to 8/31/20	12.86%	12.86%	15.51%	15.51%
	9/1/20 to 6/30/21	12.97%	12.97%	15.74%	15.74%
Actual Contributions		$484,168	$789,606	$32,991	$36,346

* 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, 2019, with the results rolled forward to the June 30, 2020, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on Society of Actuaries' Pub. H-2010 Martality rates, which vary by member status 9that 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, 2019, 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, 2020, are summarized in the following table:

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

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

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

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

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

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

	1% Decrease (6.4%)	**Current Discount Rate (7.4%)**	**1% Increase (8.4%)**
PERS 1	$2,914,275	$2,326,661	$1,814,201
PERS 2/3	6,790,021	1,091,245	(3,601,699)
TRS 1	127,600	100,711	77,246
TRS 2/3	146,844	49,827	(29,314)

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

Pension Liabilities. At June 30, 2021, the College reported a total pension liability of $3,568,443 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$2,326,662
PERS 2/3	1,091,244
TRS 1	100,709
TRS 2/3	49,827

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

	2020	2021	Change
PERS 1	0.06590%	0.06496%	-0.00094%
PERS 2/3	0.08532%	0.08338%	-0.00195%
TRS 1	0.00418%	0.00560%	0.00142%
TRS 2/3	0.00324%	0.00561%	0.00237%

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

Pension Expense. For the year ended June 30, 2021 the College recognized pension expense as follows:

	Pension Expense
PERS 1	$141,741
PERS 2/3	115,000
TRS 1	(50,230)
TRS 2/3	17,461
TOTAL	223,971

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, 2021:

	PERS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	12,945
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	484,168	-
Totals	**$ 484,168**	**$ 12,945**

	PERS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	390,650	136,759
Difference between expected and actual earnings of pension plan investments	-	55,419
Changes of assumptions	15,542	745,415
Changes in College's proportionate share of pension liabilities	143,290	74,457
Contributions subsequent to the measurement date	789,606	-
Totals	**$ 1,339,088**	**$ 1,012,050**

	TRS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	648
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	32,991	-
Totals	**$ 32,991**	**$ 648**

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	31,490	180
Difference between expected and actual earnings of pension plan investments	-	484
Changes of assumptions	6,427	5,461
Changes in College's proportionate share of pension liabilities	17,580	11,494
Contributions subsequent to the measurement date	36,346	-
Totals	**$ 91,843**	**$ 17,619**

The $1,343,112 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2021.

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

Year ended June 30:	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**
2022	(58,785)	(447,508)	(2,847)	59
2023	(1,849)	(102,941)	(83)	5,067
2024	17,937	24,689	867	6,805
2025	29,743	119,239	1,415	8,228
2026	-	(21,630)	-	5,241
Thereafter	-	(34,417)	-	12,479
Total	**$ (12,954)**	**$ (462,568)**	**$ (648)**	**$ 37,879**

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

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

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

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

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

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

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

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:

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

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

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortaility 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 mortaility rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvments in each future year throughout their lifetime.

Most actuarial assumptions used in the June 30, 2020 valuation were based on the results of the August 2021 Supplemental Plan 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, 2021, 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, 2021 were each $1,430,255.46.

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, 2021 was $(870,512).

Plan Membership. Membership in the State Board Supplemental Retirement Plan consisted of the following as of June 30, 2020, the most recent actuarial valuation date:

	Number of Participating Members			
Plan	**Inactive Members or Beneficiaries Currently Receiving Benefits**	**Inactive Members Entitled to But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
SRP	24	13	134	175

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, 2021:

Schedule of Development of Net Pension Liability	
Skagit Valley College	
Total Pension Liability	
Service Cost	122,107
Interest	86,850
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience[1]	(783,580)
Changes in Assumptions[1]	(1,414,214)
Benefit Payments	(52,063)
Other	(283,700)
Net Change in Total Pension Liability	(2,324,600)
Total Pension Liability - Beginning	4,117,202
Total Pension Liability - Ending (a)	**1,792,602**
Plan Fiduciary Net Position	
Contributions - Employer	17,145
Contributions - Member	-
Net Investment Income	214,602
Benefit Payments	-
Administrative Expense	-
Other	-
Net Change in Plan Fiduciarey Net Position	231,747
Plan Fiduciary Net Position-Beginning	611,397
Plan Fiducairy Net Position-Ending (b)	843,144
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)	**949,458**
Covered-Employee Payroll	**16,546,531**
Total Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	5.74%

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

1% Decrease	Current Discount Rate	1% Increase
(6.40%)	**(7.40%)**	**(8.40%)**
$ 1,137,617	$ 949,491	$ 787,527

<u>Deferred Outflows and Inflows of Resources Related to Pensions.</u>

At June 30, 2021, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Difference Between Expected and Actual Experience	$	254,825	$	1,034,119
Changes of Assumptions		600,864	$	1,311,630
Changes in College's proportionate share of pension liability		116,424	$	357,472
Differences Between Projected and Actual Earnings on Plan Investments		-		134,966
Total	**$**	**972,113**	**$**	**2,838,187**

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	
2022	(352,994.91)
2023	(352,994.91)
2024	(309,922.94)
2025	(245,288.86)
2026	(249,327.23)
Thereafter	(355,545.17)

Note 16 - 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. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 13 of the state's K-12 schools and educational service districts (ESDs), and 261 political subdivisions and tribal governments not included in the state's financial reporting who participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs. Membership in the PEBB plan for the College consisted of the following:

Summary of Plan Participants
As of June 30, 2020

Active Employees*	474
Retirees Receiving Benefits**	176
Retirees Not Receiving Benefits***	22
Total Active Employees and Retirees	672

*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.

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

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

In calendar year 2020, the average weighted implicit subsidy was valued at $372 per adult unit per month. In calendar year 2021, the average weighted implicit subsidy is projected to be $384 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2021 the explicit subsidy was $183 per member per month and it will remain $183 per member per month in calendar year 2022.

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, 2021, the state reported a total OPEB liability of $6.055 billion. The College’s proportionate share of the total OPEB liability is $22,030,547. This liability was determined based on a measurement date of June 30, 2020.

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 the2013-2018 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 Economic Experience Study.

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

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

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.50 percent for the June 30, 2019 measurement date and 2.21 percent for the June 30, 2020 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, 2021, 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:

Skagit Valley College		
Proportionate Share (%)		**0.3638289543%**
Service Cost	$	914,202
Interest Cost		764,744
Differences Between Expected and Actual Experience		(117,190)
Changes in Assumptions		495,725
Changes of Benefit Terms		-
Benefit Payments		(364,106)
Changes in Proportionate Share		183,455
Other		(778,948)
Net Change in Total OPEB Liability		1,097,882
Total OPEB Liability - Beginning		20,932,665
Total OPEB Liability - Ending	**$**	**22,030,547**

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 2.21 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 (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

Discount Rate Sensitivity

1% Decrease	**Current Discount Rate**	**1% Increase**
$ 26,673,559	$ 22,030,547	$ 18,415,300

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 decreasing to 3.50 percent) or 1 percentage point higher (3-12 percent) than the current rate:

Health Care Cost Trend Rate Sensitivity

1% Decrease	**Current health care cost trend rate**	**1% Increase**
$ 17,952,556	$ 22,030,547	$ 27,497,840

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ending June 30, 2021, the College will recognize OPEB expense of $237,348. OPEB expense consists of the following elements:

Skagit Valley College		
Proportionate Share (%)		**0.3638289543%**
Service Cost	$	914,202
Interest Cost		764,744
Amortization of Differences Between Expected and Actual Experience		67,531
Amortization of Changes in Assumptions		(718,210)
Changes of Benefit Terms		
Amortization of Changes in Proportion		(11,971)
Other Changes to Net Position		(778,948)
Total OPEB Expense	**$**	**237,348**

As of June 30, 2021, the deferred inflows and deferred outflows of resources for the College are as follows:

Skagit Valley College				
Proportionate Share (%)		**0.3638289543%**		
Deferred Inflows/Outflows of Resources		**Deferred Inflows**		**Deferred Outflows**
Difference between expected and actual experience	$	483,315	$	104,169
Changes in assumptions		1,514,894		5,195,718
Transactions subsequent to the measurement date		387,502		-
Changes in proportion		459,289		578,933
Total Deferred Inflows/Outflows	**$**	**2,845,000**	**$**	**5,878,820**

Amounts reported as deferred outflow of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

Proportionate Share (%)		**0.3638289543%**
2022	$	(662,650)
2023	$	(662,650)
2024	$	(662,650)
2025	$	(662,650)
2026	$	(662,648)
Thereafter	$	(108,074)

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 (%) 2019		**0.3606680340%**
Proportionate Share (%) 2020		**0.3638289543%**
Total OPEB Liability - Ending 2019	$	20,932,665
Total OPEB Liability - Beginning 2020		21,116,120
Total OPEB Liability Change in Proportion		183,455
Total Deferred Inflows/Outflows - 2019		(3,932,321)
Total Deferred Inflows/Outflows - 2020		(3,966,785)
Total Deferred Inflows/Outflows Change in Proportion		(34,464)
Total Change in Proportion	**$**	**217,919**

Note 17 - Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2021.

Expenses by Functional Classification		
Instruction	$	18,383,614
Academic Support Services		4,081,919
Student Services		13,776,786
Institutional Support		8,113,573
Operations and Maintenance of Plant		9,151,738
Scholarships and Other Student Financial Aid		6,070,670
Auxiliary enterprises		1,667,660
Depreciation		2,638,414
Total operating expenses	**$**	**63,884,374**

Note 18 - Commitments and Contingencies

The College has commitments of $3,308,853 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings. The majority of these commitments will be funded by federal Head Start grant funds.

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 19 - Subsequent Events

The college does not have any subsequent events as of June 30, 2021 to report.

Required Supplemental Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Skagit Valley College's Proportionate Share of the Net Pension Liability

Schedule of Skagit Valley College's Proportionate Share of the Net Pension Liability

Public Employees' Retirement System (PERS) Plan 1

Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.073192%	$ 3,687,081	$ 7,524,995	49.00%	61.19%
2015	0.073200%	$ 3,829,041	$ 7,844,434	48.81%	59.10%
2016	0.072244%	$ 3,879,839	$ 8,143,706	47.64%	57.03%
2017	0.065791%	$ 3,121,834	$ 8,018,878	38.93%	61.24%
2018	0.006547%	$ 2,972,012	$ 8,608,434	34.52%	63.22%
2019	0.065223%	$ 2,508,056	$ 9,049,510	27.71%	67.12%
2020	0.065901%	$ 2,326,662	$ 10,000,412	23.27%	68.64%
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Skagit Valley College's Proportionate Share of the Net Pension Liability

Schedule of Skagit Valley College's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.082904%	$ 1,675,789	$ 7,086,491	23.65%	93.29%
2015	0.083494%	$ 2,983,289	$ 7,408,500	40.27%	89.20%
2016	0.083115%	$ 4,184,775	$ 7,754,061	53.97%	85.82%
2017	0.079253%	$ 2,753,663	$ 7,783,921	35.38%	90.97%
2018	0.081430%	$ 1,390,344	$ 8,445,594	16.46%	95.77%
2019	0.082182%	$ 798,267	$ 8,962,651	8.91%	97.77%
2020	0.085324%	$ 1,091,244	$ 9,978,844	10.94%	97.22%
2021					
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Skagit Valley College's Proportionate Share of the Net Pension Liability

Schedule of Skagit Valley College's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1
Measurement Date of June 30

Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.013816%	$ 407,497	$ 334,008	122.00%	68.77%
2015	0.013044%	$ 413,252	$ 350,737	117.82%	65.70%
2016	0.006626%	$ 226,227	$ 223,193	101.36%	62.07%
2017	0.006968%	$ 210,661	$ 309,244	68.12%	65.58%
2018	0.006090%	$ 177,864	$ 286,003	62.19%	66.52%
2019	0.006502%	$ 160,977	$ 352,651	45.65%	70.37%
2020	0.004181%	$ 100,709	$ 268,508	37.51%	70.55%
2021					
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Skagit Valley College's Proportionate Share of the Net Pension Liability

Schedule of Skagit Valley College's Proportionate Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.002125%	$ 6,864	$ 94,927	7.23%	96.81%
2015	0.002490%	$ 21,011	$ 116,554	18.03%	92.48%
2016	0.002257%	$ 30,995	$ 111,474	27.80%	88.72%
2017	0.004251%	$ 39,234	$ 233,057	16.83%	93.14%
2018	0.003457%	$ 15,560	$ 210,693	7.39%	96.88%
2019	0.004169%	$ 25,120	$ 275,113	9.13%	96.36%
2020	0.003244%	$ 49,827	$ 238,704	20.87%	91.72%
2021					
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Employer Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 323,968	$ 323,968	$ -	$ 7,524,995	4.31%
2015	$ 336,426	$ 336,426	$ -	$ 7,844,434	4.29%
2016	$ 409,693	$ 409,693	$ -	$ 8,143,706	5.03%
2017	$ 395,749	$ 395,749	$ -	$ 8,018,878	4.94%
2018	$ 445,204	$ 445,204	$ -	$ 8,608,434	5.17%
2019	$ 469,585	$ 469,585	$ -	$ 9,049,510	5.19%
2020	$ 477,741	$ 477,741	$ -	$ 10,000,412	4.78%
2021	$ 484,168	$ 484,168	$ -	$ 9,972,857	4.85%
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Employer Contributions Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 350,221	$ 350,221	$ -	$ 7,086,491	4.94%
2015	$ 371,927	$ 371,927	$ -	$ 7,408,500	5.02%
2016	$ 479,817	$ 479,817	$ -	$ 7,754,061	6.19%
2017	$ 484,067	$ 484,067	$ -	$ 7,783,921	6.22%
2018	$ 632,585	$ 632,585	$ -	$ 8,445,594	7.49%
2019	$ 673,632	$ 673,632	$ -	$ 8,962,651	7.52%
2020	$ 790,311	$ 790,311	$ -	$ 9,978,844	7.92%
2021	$ 789,606	$ 789,606	$ -	$ 9,972,857	7.92%
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Employer Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 27,321	$ 27,321	$ -	$ 334,008	8.18%
2015	$ 29,189	$ 29,189	$ -	$ 350,737	8.32%
2016	$ 20,137	$ 20,137	$ -	$ 223,193	9.02%
2017	$ 24,386	$ 24,386	$ -	$ 309,244	7.89%
2018	$ 26,246	$ 26,246	$ -	$ 286,003	9.18%
2019	$ 32,132	$ 32,132	$ -	$ 352,651	9.11%
2020	$ 21,733	$ 21,733	$ -	$ 268,508	8.09%
2021	$ 32,991	$ 32,991	$ -	$ 445,959	7.40%
2022					
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Employer Contributions
Teachers' Retirement System (TRS) Plan 2/3
Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 5,215	$ 5,215	$ -	$ 94,927	5.49%
2015	$ 6,618	$ 6,618	$ -	$ 116,554	5.68%
2016	$ 7,367	$ 7,367	$ -	$ 111,474	6.61%
2017	$ 15,662	$ 15,662	$ -	$ 233,057	6.72%
2018	$ 16,281	$ 16,281	$ -	$ 210,693	7.73%
2019	$ 21,541	$ 21,541	$ -	$ 275,113	7.83%
2020	$ 19,418	$ 19,418	$ -	$ 238,704	8.13%
2021	$ 36,346	$ 36,346	$ -	$ 445,959	8.15%
2022					
2023					

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

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Net Pension Liability and Related Ratios
State Board Supplemental Retirement Plan
Skagit Valley College
Fiscal Year Ended June 30, 2021
(expressed in thousands)

	2017	2018	2019	2020	2021
Total Pension Liability					
Service Cost	$ 151	$ 114	$ 82	$ 99	$ 122
Interest	98	105	100	111	87
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(707)	(310)	188	234	(784)
Changes of assumptions	(167)	(105)	353	625	(1,414)
Benefit Payments	(25)	(39)	(53)	(50)	(52)
Change in Proportionate Share		181	(80)	(91)	(284)
Other	-	-	-	-	-
Net Change in Total Pension Liability	**(650)**	**(54)**	**590**	**928**	**$ (2,325)**
Total Pension Liability - Beginning	3,302	2,653	2,599	3,190	4,118
Total Pension Liability - Ending (a)	**$ 2,652**	**$ 2,599**	**$ 3,190**	**$ 4,118**	**$ 1,793**
Plan Fiduciary Net Position**					
Contributions-Employer	n/a	n/a	n/a	n/a	$ 17
Contributions - Member	n/a	n/a	n/a	n/a	
Net Investment Income	n/a	n/a	n/a	n/a	215
Benefit Payments	n/a	n/a	n/a	n/a	
Administrative Expense	n/a	n/a	n/a	n/a	
Other	n/a	n/a	n/a	n/a	
Net Change in Plan Fiduciarey Net Position					**$ 232**
Plan Fiduciary Net Position-Beginning					611
Plan Fiducairy Net Position-Ending (b)					**$ 843**
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)					**$ 950**
College's Proportion of the Pension Liability	2.790750%	2.981228%	2.889830%	2.807010%	2.613590%
Covered-employee payroll	$ 15,679	$ 16,789	$ 16,594	$ 16,931	$ 16,547

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

**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 2021.

Schedule of Employer Contributions State Board Supplemental Retirement Plan Skagit Valley College Fiscal Year Ended June 30, 2021		
		2021
Statutorily determined contributions	$	21,510
Actual contributions in relation to the above		15,515
Contribution deficiency (excess)	$	(5,995)
Covered Payroll	$	16,546,531
Contribution as a % of covered payroll		0.09%

Notes: This schedule will be built prospectively until they contain 10 years of data.
This schedule contains actual amounts, while the notes report contributions as a proportionate share of plan total contributions.

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

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

Other Postemployment Benefits Information

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

Total OPEB Liability	**2020**	**2019**	**2018**	**2017**
Service cost	$ 914,202	$ 847,576	$ 1,180,244	$ 1,450,123
Interest cost	764,744	735,223	811,411	679,246
Difference between expected and actual experience	(117,190)		740,661	-
Changes in assumptions	495,725	1,369,180	(5,166,935)	(3,313,376)
Changes in benefit terms			-	-
Benefit payments	(364,106)	(336,321)	(342,700)	(346,155)
Changes in proportionate share	183,455	(560,387)	264,545	123,777
Other	(778,948)		-	-
Net Changes in Total OPEB Liability	$ 1,097,882	$ 2,055,271	$ (2,512,774)	$ (1,406,385)
Total OPEB Liability - Beginning	$ 20,932,665	$ 18,877,394	$ 21,390,168	$ 22,796,553
Total OPEB Liability - Ending	$ 22,030,547	$ 20,932,665	$ 18,877,394	$ 21,390,168
College's proportion of the Total OPEB Liability (%)	0.36382895%	0.36066803%	0.37170225%	0.36716135%
Covered-employee payroll	$ 26,935,577	$ 27,201,197	$ 25,989,956	$ 25,347,337
Total OPEB Liability as a percentage of covered-	81.789773%	76.954940%	72.633420%	84.388226%

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

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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