



SEATTLE COLLEGES

North · Central · South

(a component unit of the State of Washington)

Financial Statements

For the fiscal year ended June 30, 2022

Seattle Colleges
1500 Harvard Avenue
Seattle, WA 98122

Table of Contents

	PAGE
Trustees and Administrative Officers	1
Report of Independent Auditors	2-5
Management's Discussion and Analysis	6-13
Financial Statements	
Statement of net position	14-15
Statement of revenues, expenses, and changes in net position	16
Statement of cash flows	17-18
Notes to the financial statements	19-53
Required Supplementary Information	
Schedule of proportionate share of net pension liability	54-55
Schedule of employer contributions	56-58
Schedule of changes in total pension liability and related ratios	59
Schedule of employer contributions – state board supplemental defined benefit plans	60
Schedule of changes in total OPEB liability and related ratios	61

Seattle Colleges

Trustees and Administrative Officers

BOARD OF TRUSTEES

Teresita Batayola
Louise Chernin
Steve Hill
Rosa Peralta
Brian Surratt

EXECUTIVE OFFICERS

Dr. Shouan Pan, Chancellor
Chemene Crawford, President, North Seattle College
Yoshiko Harden, Interim President, Seattle Central College
Rosie Rimando-Chareunsap, President, South Seattle College
Kurt Buttleman, Vice Chancellor of Academic and Student Success
Jennifer Dixon, Vice Chancellor of Human Resources
Kerry Howell, Vice Chancellor for Advancement
Terence Hsiao, Interim Vice Chancellor for Finance and Operations
D'Andre Fisher, Associate Vice Chancellor of Equity, Diversity and Inclusion
Earnest Phillips, Associate Vice Chancellor of Communications & Strategic Initiatives
Cindy Riche, Associate Vice Chancellor, and Chief Information Officer

Independent Auditor's Report

Board of Trustees
Seattle Colleges
Seattle, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, and the aggregate discretely presented component units of Seattle Colleges (the Colleges), a component unit of the State of Washington, as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise the Colleges' basic financial statements as listed in the table of contents.

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

We did not audit the financial statements of the Seattle Colleges Foundation, the Foundation for Seattle Colleges, or the South Seattle College Foundation (collectively referred to as the Foundations) which represent 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. The Foundations' financial statements, which were prepared in accordance with accounting standards as issued by the Financial Accounting Standards Board, were audited by other auditors, whose report thereon 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.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the Colleges, a component unit 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 Colleges and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the State of Washington as of June 30, 2022, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

The financial statements for the year ended June 30, 2022, reflect certain prior period adjustments as described further in Note 19 to the financial statements. Our opinion is not modified with respect to this matter.

During the year ended June 30, 2022, the Colleges implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Colleges' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Colleges' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *pension and other post-employment benefit schedules* on pages 54-61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the financial statements. The other information consists of the *Trustees and Administrative Officers* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Trustees
Seattle Colleges
Seattle, Washington

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2024 on our consideration of the Colleges' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Colleges' internal control over financial reporting and compliance.

Davis Fava LLP

Irvine, California
July 25, 2024

Seattle Colleges

Management's Discussion and Analysis

Seattle Colleges

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

This overview provides readers with an objective and easily readable analysis of the Colleges 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 Colleges financial statements and accompanying note disclosures.

Reporting Entity

Seattle Colleges is part of the community and technical college system in the state of Washington and operates as a multi-college district serving Seattle and its surrounding communities with North Seattle College, Seattle Central College and South Seattle College along with 5 specialty training centers. Seattle Colleges confers associate degrees, bachelor's degrees, certificates, and high school diplomas. Established by the State Community College Act of 1967 the College's mission "As an open-access learning institution, Seattle Colleges prepares each student for success in life and work, fostering a diverse, engaged, and dynamic community".

The College's main campuses are located in Seattle, Washington, a community of over 750,000 residents and part of a metropolitan area of over 4 million. North Seattle College offers transfer associate degrees, 6 bachelor's degree programs and professional certificates in emerging fields such as sustainable energy. Seattle Central College and its 3 specialty training centers – Health Education Center at Pacific Tower, Seattle Maritime Academy, and Wood Technology Center – focus on career-technical programs and workforce training, as well as college transfer opportunities and 3 bachelor's degree programs. South Seattle College and its 2 specialty training centers – Georgetown campus and NewHolly Learning Center – offers career-technical and apprenticeship training, adult basic education, job skills and GED along with 4-year college transfer opportunities. Seattle Colleges is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law. The College is led by a Chancellor who works collaboratively with three college Presidents.

Using the Financial Statements

The financial statements presented in this report encompass the entirety of Seattle Colleges and its component units, Seattle Colleges Foundation, Foundation for the Seattle Colleges and South Seattle Colleges Foundation (collectively referred to as The Foundations in this report). The Colleges' 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 Colleges at a moment in time, at year-end. The statement of revenues, 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 Colleges' financial health as a whole.

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 Colleges' 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 Colleges' activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Seattle Colleges

Management's Discussion and Analysis

Statement of Net Position

The statement of net position provides information about the Colleges' financial position, and presents the Colleges' assets, liabilities, and net assets at year-end and includes all assets and liabilities of the Colleges. A condensed comparison of the statement of net position is as follows:

Condensed Statement of Net Position	2022	2021 - Restated*	Change
As of June 30th			
Assets			
Current Assets	\$ 121,486,221	\$ 118,045,485	\$ 3,440,736
Capital Assets, net	252,772,735	231,334,266	21,438,469
Other assets, noncurrent	34,067,683	9,470,120	24,597,563
Total Assets	<u>408,326,639</u>	<u>358,849,871</u>	<u>49,476,768</u>
Deferred Outflows of Resources	18,255,607	18,578,689	(323,082)
Liabilities			
Current Liabilities	33,064,927	27,489,185	5,575,742
Other Liabilities, noncurrent	114,068,134	122,644,640	(8,576,506)
Total Liabilities	<u>147,133,061</u>	<u>150,133,825</u>	<u>(3,000,764)</u>
Deferred Inflows of Resources	<u>74,688,899</u>	<u>49,605,093</u>	<u>25,083,806</u>
Net Position	<u>\$ 204,760,286</u>	<u>\$ 177,689,642</u>	<u>\$ 27,070,644</u>

*Restated for GASB 87, Leases, implementation in 2022

Current assets consist primarily of cash, investments and various accounts receivable. Increases in receivables related to state appropriations and new certificate of participation (COP) offerings in 2022 account for the increase from the prior year.

Net capital assets increased by \$21,438,469 from fiscal year 2021 to 2022 due to capitalization of expenses related to various construction projects and real estate transactions. Construction of the Automotive Technology, Student Wellness Center, and Library buildings at the North and South Seattle College campuses along with the Atlas Building and Land transfer to Sound Transit account for the net increase. See notes for additional details.

Other noncurrent assets consist primarily of the long-term portion of investments, receivables for leased property and pension plan assets. The Colleges have investments in government securities which fluctuate between long-term and short-term to secure a higher rate of return when purchased. The Colleges operate lease agreements with various lessees who are required to make fixed monthly payments per agreed upon terms. See note 4 for additional information on these agreements. A net pension liability was reported for fiscal year 2021 and due to differences between projected and actual investment earnings on pension plan investments a Net Pension Asset is reported in fiscal year 2022.

Deferred outflows (and the related deferred inflow) as of June 30, 2022, represent changes in deferred contributions and changes of assumptions related to the College's pension, OPEB, and State Board Retirement Plan. See footnotes 1, 13 & 14 for discussion of these items.

Seattle Colleges

Management's Discussion and Analysis

Current liabilities include amounts payable to others for goods and services, accrued payroll and related liabilities, the current portion of certificate of participation debt, deposits held for others, unearned revenue, liabilities for pension and other post-employment benefits and leases. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements. The increase is a result of changes to liabilities related to unearned revenue, accrued liabilities and leases for 2022.

Noncurrent liabilities primarily consist of the value of sick leave earned but not yet used by employees, the long-term portion of certificate of participation debt and leases. This category also includes the required long-term pension and OPEB liability. The net decrease in noncurrent liabilities is from changes in pension liabilities offset with a new COP offering in 2022 and leases.

Net position represents the value of the Colleges' assets and deferred outflows after liabilities and deferred inflows are deducted. Accounting standards require the College to report its net position in four categories:

Net investment in capital assets – The Colleges' 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 – The corpus of nonexpendable restricted resources is available only for investment purposes. These assets are held in perpetuity. The Colleges did not have of these funds in 2022 or 2021.

Restricted expendable – Subject to external donor or grantor stipulations regarding their use. The College may expend these assets for purposes as determined by donors and/or external entities. The primary expendable funds for the Colleges are institutional financial aid funds. The Colleges also hold restricted balances related to Pension Plan Assets for 2022.

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.

Net Position	2022	2021 - Restated*	Change
As of June 30th			
Net Investment in Capital Assets	\$ 230,281,168	\$ 200,471,896	\$ 29,809,272
Restricted - Expendable	1,786,891	1,951,589	(164,698)
Restricted - Pension Plan Assets	5,446,950	-	5,446,950
Unrestricted	(32,754,723)	(24,733,843)	(8,020,880)
Total Net Position	<u>\$ 204,760,286</u>	<u>\$ 177,689,642</u>	<u>\$ 27,070,644</u>

*Restated for GASB 87, Leases, implementation in 2022

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses, and changes in net position accounts for the Colleges change in total net position during 2022. The objective of this statement is to present the revenues received, both operating and non-

Seattle Colleges

Management's Discussion and Analysis

operating, and the expenses paid by the Colleges, along with any other revenue, expenses, gains and losses of the Colleges.

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

Operating expenses are expenses incurred in the normal operation of the Colleges, including depreciation on property and equipment. When operating revenues, excluding state appropriations and Pell Grant revenue, are measured against operating expenses, the Colleges show an operating loss. This 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 Colleges' revenues, expenses, and change in net position for the years ended June 30, 2022, and 2021, is presented below.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2022	2021 - Restated*	Change
For the year ended June 30th			
Revenue/Expense from Operations			
Operating Revenues	\$ 104,690,320	\$ 105,588,792	\$ (898,472)
Operating Expenses	200,302,094	199,279,761	1,022,333
Net Operating Increase (Decrease)	<u>(95,611,774)</u>	<u>(93,690,969)</u>	<u>(1,920,805)</u>
Non-Operating Revenue/Expense			
Non-Operating Revenues	108,841,123	102,033,356	6,807,767
Non-Operating Expenses	4,952,104	5,548,290	(596,186)
Net Non-Operating Increase (Decrease)	<u>103,889,019</u>	<u>96,485,066</u>	<u>7,403,953</u>
Total Increase (Decrease) before other revenues and expenses	8,277,245	2,794,097	5,483,148
Capital Appropriations	18,793,399	23,526,364	(4,732,965)
Total Increase (Decrease) from revenues and expenses	<u>27,070,644</u>	<u>26,320,461</u>	<u>750,183</u>
Other Changes in Net Position			
Cumulative effect of a change in accounting principal	-	(50,885)	50,885
Restatements	-	(602,178)	602,178
Increase (Decrease) in Net Position	<u>\$ 27,070,644</u>	<u>\$ 25,667,398</u>	<u>\$ 1,403,246</u>

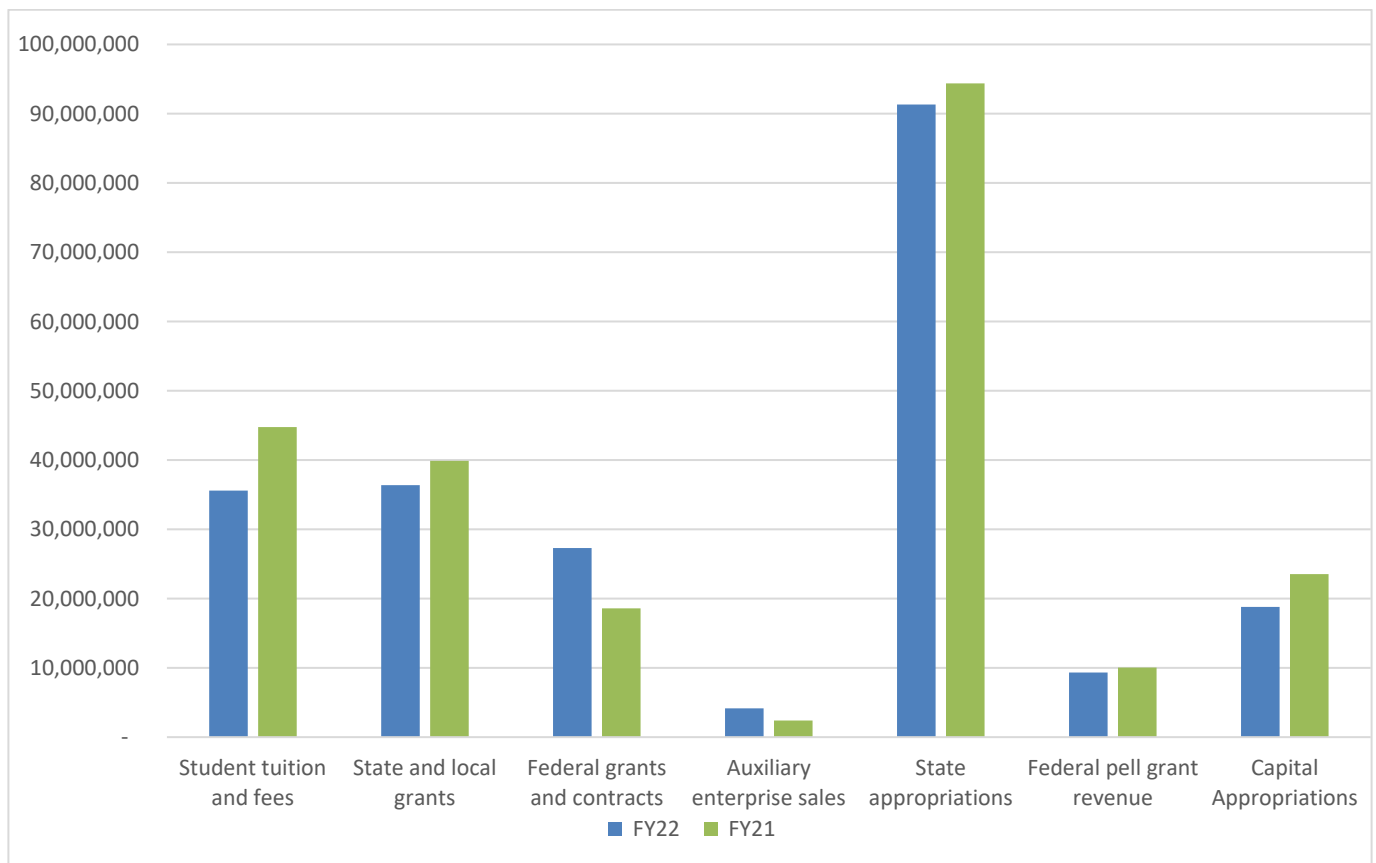
*Restated for GASB 87, Leases, implementation in 2022

Seattle Colleges Management's Discussion and Analysis

Revenues

Operating revenues decreased by \$898,472 in 2022 due to year over year changes in federal grants and contracts and auxiliary activities.

Nonoperating revenues increased and decreased in various categories resulting in a \$6,807,767 increase for 2022. The largest increase is related to net gains reported from the sale and acquisition of capital assets. The Atlas Building and Land was sold to Sound Transit in 2022 resulting in a gain for financial reporting purposes. In 2021 a loss was reported on the transfer of the SVI property to CDCPDA which accounts for the variance year over year see notes for additional information.

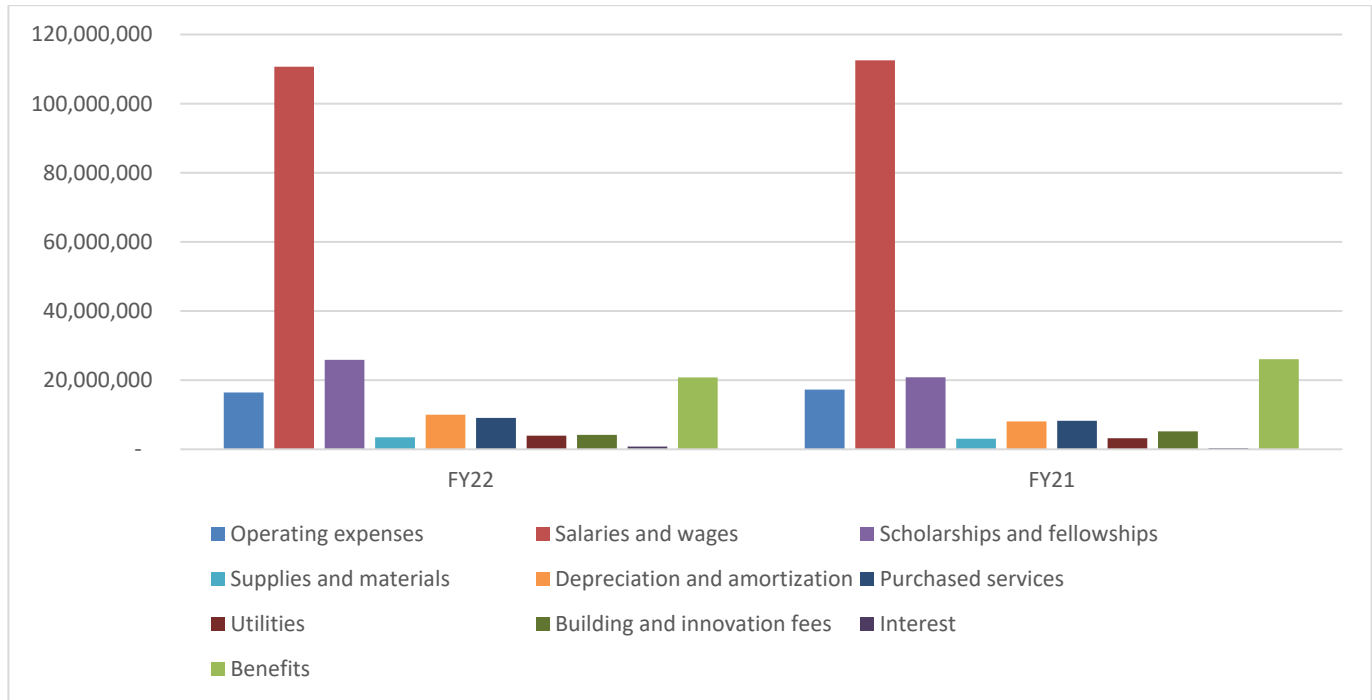


Seattle Colleges

Management's Discussion and Analysis

Expenses

Operating expenses increased \$1,022,333, led by scholarships and fellowships and increases in amortization expense related to leases.



Capital Assets and Long-Term Debt Activities

The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing, and major leases. The primary funding source for college capital projects is state general obligation bonds. In addition, a component of student tuition revenue called the building fee, is remitted back to the State for use in project funding. In recent years, declining student tuition revenue, including the building fee component, has significantly reduced the dollars available from this funding source.

At June 30, 2022, the Colleges had invested \$252,772,735 in capital assets, net of accumulated depreciation. This represents an increase of \$21,438,469 from 2021, as shown in the table below. The increase in capital assets is primarily the net result of an increase in construction in progress associated with the Automotive Technology, Student Wellness Center, and Library buildings on the North and South Seattle College campuses. Construction on the Wellness Center was completed in 2022 and the building was placed in service on the South campus. In October 2021, Seattle Colleges entered into an agreement with Sound Transit in conjunction with the State Board for Community and Technical Colleges to sell the Atlas Building and Land to Sound Transit. See Note 5 in the accompanying Notes to the Financial Statements.

Seattle Colleges

Management's Discussion and Analysis

Asset Type as of June 30th	2022	2021 - Restated*	Change
Land	\$ 14,258,241	\$ 7,508,577	\$ 6,749,664
Construction in progress	45,144,607	30,465,605	14,679,002
Buildings, net	177,485,661	174,888,047	2,597,614
Leased buildings, net	11,847,924	13,960,331	(2,112,407)
Other improvements and infrastructure, net	553,145	631,311	(78,166)
Equipment, net	2,707,594	2,973,237	(265,643)
Leased equipment, net	361,039	474,865	(113,826)
Library resources, net	414,524	432,293	(17,769)
Total capital assets, net	<u>\$ 252,772,735</u>	<u>\$ 231,334,266</u>	<u>\$ 21,438,469</u>

*Restated for GASB 87, Leases, implementation in 2022

At June 30, 2022, the Colleges had \$22,491,567 in outstanding debt, which includes a balance of \$4,486,242 in unamortized premium. The Colleges have the following Certificates of Participation outstanding:

Broadway Edison energy efficiency project which was entered into in August of 2018 for equipment improvements

The Opportunity Center for Employment and Education aka Employee Resource Center Building originally issued June of 2010 and subsequently refunded with another debt issue in 2019 to take advantage of favorable market conditions

Student Wellness and Fitness Center issued in October 2020

North, Central & South Energy Efficiency (ESCO's) issued in June of 2022

Debt as of June 30th	2022	2021	Change
Certificates of Participation	\$ 18,005,325	\$ 12,555,000	\$ 5,450,325
Unamortized premium	4,486,242	3,817,870	668,372
Total Debt	<u>\$ 22,491,567</u>	<u>\$ 16,372,870</u>	<u>\$ 6,118,697</u>

See Notes 11 and 12 for additional information.

Seattle Colleges

Management's Discussion and Analysis

Economic Factors That May Affect the Future

Enrollments continue to be impacted by COVID-19 with trends continuing to indicate state-wide enrollment declines. For Seattle Colleges, enrollment may be more heavily impacted for South Seattle College due to the hands-on nature of the high mix of vocational technical programs like apprenticeships. The West Seattle bridge is scheduled to reopen September 2022 which should provide easing of enrollment decline. Enrollments at both North and Central may also decline. The colleges continue strategic enrollment management efforts, focusing on pathway-oriented improvements to make it easier for students to enroll and succeed at Seattle Colleges. Seattle Pathway efforts are structured to lower barriers and improve student success which should result in enrollment gains.

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

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

Seattle Colleges

Statement of Net Position

	<u>June 30, 2022</u>	<u>Discrete Component Units</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 55,214,532	\$ 6,956,718
Restricted cash	1,786,891	-
Short term investments	2,423,075	8,604,495
Accounts receivable, net of allowance for doubtful accounts	61,251,135	6,378,584
Leases receivable, current portion	810,588	-
Other assets	-	170,012
Total Current Assets	121,486,221	22,109,809
Noncurrent Assets		
Long term investments	-	45,168,711
Leases receivable, net of current portion	5,655,134	-
Loans and other receivables	-	17,891,219
Pension asset	28,412,549	-
Non-depreciable capital assets	59,402,848	-
Depreciable capital assets, net of depreciation	193,369,887	37,009,118
Total Noncurrent Assets	286,840,418	100,069,048
Total Assets	408,326,639	122,178,857
Deferred Outflows of Resources		
Deferred outflows related to pensions	11,804,545	-
Deferred outflows related to OPEB	6,451,062	-
Total Deferred Outflows of Resources	18,255,607	-
Total Assets and Deferred Outflows of Resources	\$ 426,582,246	\$ 122,178,857

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

Seattle Colleges

Statement of Net Position (continued)

	June 30, 2022	Discrete Component Units
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 8,378,358	\$ 2,166,291
Deposits payable	-	436,114
Accrued liabilities	10,259,326	-
Compensated absences, current portion	4,640,439	-
Unearned revenue	5,221,033	-
Pension liability, current portion	197,243	-
OPEB liability, current portion	1,094,499	-
Right-to-use lease liability, current portion	1,985,522	-
Notes payable, current portion	1,288,507	266,000
Total Current Liabilities	33,064,927	2,868,405
Noncurrent Liabilities		
Compensated absences, net of current portion	7,236,722	-
Pension liability, net of current portion	9,810,851	-
OPEB liability, net of current portion	65,207,426	-
Right-to-use lease liability, net of current portion	10,610,075	-
Notes payable, net of current portion	21,203,060	20,780,139
Total Noncurrent Liabilities	114,068,134	20,780,139
Total Liabilities	147,133,061	23,648,544
Deferred Inflows of Resources		
Deferred inflows related to pensions	38,929,602	-
Deferred inflows related to OPEB	29,407,189	-
Deferred inflows on right-to-use assets	6,352,108	-
Total Deferred Inflows of Resources	74,688,899	-
Net Position		
Net investment in capital assets	230,281,168	15,962,979
Restricted - Expendable	1,786,891	-
Restricted for pension plan assets	5,446,949	-
Restricted for Component Units	-	50,150,267
Unrestricted	(32,754,722)	32,417,067
Total Net Position	204,760,286	98,530,313
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 426,582,246	\$ 122,178,857

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

Seattle Colleges

Statement of Revenues, Expenses and Changes in Net Position

	Year Ended June 30, 2022	Discrete Component Units
Operating Revenues		
Student tuition and fees, net of scholarship allowances and discounts	\$ 35,600,301	\$ -
State and local grants and contracts	36,386,544	-
Federal grants and contracts	27,288,223	-
Auxiliary enterprise sales	4,167,705	-
Other operating revenues	1,247,547	14,026,488
Total Operating Revenues	<u>104,690,320</u>	<u>14,026,488</u>
Operating Expenses		
Operating expenses	16,436,956	10,298,564
Salaries and wages	110,693,810	-
Benefits	20,771,097	-
Scholarships and fellowships	25,885,907	2,532,001
Supplies and materials	3,474,960	-
Depreciation and amortization	10,000,962	-
Purchased services	9,091,161	-
Utilities	3,947,241	-
Total Operating Expenses	<u>200,302,094</u>	<u>12,830,565</u>
Income (Loss) From Operations	(95,611,774)	1,195,923
Nonoperating Revenues		
State appropriations	91,334,727	-
Federal pell grant revenue	9,335,601	-
Gain (loss), sale of capital assets	7,848,754	-
Leased property interest	217,849	-
Investment income, gain (loss)	104,192	(2,326,590)
Total Nonoperating Revenues	<u>108,841,123</u>	<u>(2,326,590)</u>
Nonoperating Expenses		
Building and innovation fees	4,164,463	-
Other expenses	-	411,048
Lease interest	386,542	-
Interest on indebtedness	401,099	-
Total Nonoperating Expenses	<u>4,952,104</u>	<u>411,048</u>
Income (Loss) Before Capital Appropriations	8,277,245	(1,541,715)
Capital Appropriations	<u>18,793,399</u>	<u>-</u>
Increase (decrease) in net position	27,070,644	(1,541,715)
Net position, beginning of year	178,342,704	100,072,028
Cumulative effect of a change in accounting principal	(50,885)	-
Restatements	(602,177)	-
Net position, beginning of year, as restated	<u>177,689,642</u>	<u>100,072,028</u>
Net position, end of year	<u>\$ 204,760,286</u>	<u>\$ 98,530,313</u>

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

Seattle Colleges

Statement of Cash Flows

	Year Ended June 30, 2022
Cash Flows from Operating Activities	
Student tuition and fees	\$ 34,640,240
Grants and contracts	50,757,174
Payments to vendors	(24,072,995)
Payments for utilities	(3,947,241)
Payments to employees	(113,254,528)
Payments for benefits	(33,581,748)
Auxiliary enterprise sales	308,630
Payments for scholarships and fellowships	(25,885,907)
Leased property	1,101,232
Other receipts (payments)	146,316
Net Cash from Operating Activities	<u>(113,788,827)</u>
Cash Flows from Noncapital Financing Activities	
State appropriations	91,334,727
Pell grants	9,335,601
Building and innovation fees	(4,164,463)
Net Cash from Noncapital Financing Activities	<u>96,505,865</u>
Cash Flows from Capital and Related Financing Activities	
Capital appropriations	18,793,399
Purchases of capital assets	(23,524,958)
Lease payments	(1,890,484)
Lease receipts	290,649
Proceeds from new debt	6,748,696
Principal paid on long-term debt	(630,000)
Interest paid	(627,750)
Net Cash from Capital and Related Financing Activities	<u>(840,448)</u>
Cash Flows from Investing Activities	
Income from investments	200,516
Net Cash from Investing Activities	<u>200,516</u>
Net Change in Cash and Cash Equivalents	(17,922,894)
Cash and Cash Equivalents, beginning of year	<u>74,924,317</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 57,001,423</u></u>

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

Seattle Colleges

Statement of Cash Flows (continued)

	Year Ended June 30, 2022
Operating Loss	\$ (95,611,774)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	10,000,962
Changes in assets and liabilities	
Receivables, net	(18,129,966)
Accounts payable	1,206,489
Accrued liabilities	1,299,415
Unearned revenue	393,238
Compensated absences	(136,540)
Deferred inflows	25,270,396
Deferred outflows	323,082
Pension liability	(35,035,612)
OPEB liability	(3,368,517)
Net cash used by operating activities	<u>\$ (113,788,827)</u>
Non-Cash Investing, Capital and Financing Activities	
Net investment unrealized gains (losses)	\$ (90,546)
Non-Cash gain (loss) on sale or transfer of capital assets	5,836,671

The accompanying notes are an integral part of these financial statements

Seattle Colleges

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

Seattle Colleges is a District of three comprehensive community colleges offering open-door academic programs, workforce education, basic skills, and community services. The Colleges confer applied baccalaureate, associate degrees, certificates and high school diplomas. The Colleges are governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate.

The Colleges are an agency of the State of Washington. The financial activity of the colleges is included in the State's Annual Comprehensive Financial Report.

The Foundations – Seattle Colleges Foundation, The Foundation for the Seattle Colleges, and the South Seattle College Foundation – are separate but affiliated non-profit entities incorporated under Washington law and recognized as tax-exempt 501(c)(3) charities. The Foundations charitable purposes are to raise funds for student support. Each Foundation is a discrete component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statements 61, 39 and 14 because the majority of the Foundations income and resources are restricted by donors and may only be used for the benefit of the Colleges or the Colleges students. A discrete component unit is an entity that is legally separate from the Colleges; however, because the Foundations have the potential to provide significant financial benefits to the Colleges, their relationship with the Colleges is such that excluding their income and resources would cause the Colleges financial statements to be misleading or incomplete.

The Foundations financial statements are discretely presented in this report. The Foundations statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the Colleges and the Foundations are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2022, the Foundations distributed \$2,531,881 to the Colleges for restricted and unrestricted purposes, such as program support and student scholarships.

See Note 18 for additional component unit information.

Basis of Presentation

For financial reporting purposes, Seattle Colleges is considered a special-purpose government engaged only in Business Type Activities (BTA). In accordance with BTA reporting, the Colleges present 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; a Statement of Fiduciary Net Position, if applicable; a Statement of Changes in Fiduciary Net Position, if applicable; and Notes to the Financial Statements. The format provides a comprehensive, entity-wide perspective of the Colleges' assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, cash flows, and any applicable fiduciary activities.

Basis of Accounting

The financial statements of the Colleges 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.

Seattle Colleges

Notes to Financial Statements

Revenue Recognition

Nonexchange transactions, in which the Colleges receive (or give) 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, if probable of collection.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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.

Intercompany transactions

During the course of operations, numerous transactions occur between funds for goods provided and services rendered. For the financial statements, interfund receivables and payables have generally been eliminated. However, revenues and expenses from the Colleges auxiliary enterprises are treated as though the Colleges were dealing with private vendors. For all other funds, transactions that are reimbursements of expenses are recorded as reductions of expense.

Cash, cash equivalents, and investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The Colleges record all cash, cash equivalents, and investments at amortized cost, which approximates fair value or at fair value.

The Colleges combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents, certificates of deposit, and U.S. Treasuries and U.S. Agency securities.

Accounts receivable

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

Seattle Colleges

Notes to Financial Statements

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 Colleges. As a result, the assets are included in the financial statements because excluding them would be misleading.

Land, buildings, and equipment are recorded at cost, or if acquired by gift, at estimated acquisition value at the date of the gift. Right to use leased assets are listed at the present value of payments expected to be made during the lease term, less accumulated amortization. Capital additions, replacements, and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Interest costs and 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 improvements.

The Colleges review 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 lower of cost or fair value. For the year ended June 30, 2022, no assets had been written down.

Leases

The Colleges determine if an agreement is a lease at inception of the lease contract. Lessee agreements, where the Colleges are leasing assets owned by a third party, are included in capital assets in the Statement of Net Position along with the current and long-term portions or the liability, as listed. Lease assets represent the Colleges right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized on a straight-line basis over the lease term. Lease liabilities represent the Colleges obligation to make lease payments, per the lease contract. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Colleges will exercise that option. The Colleges recognizes payments for short-term leases, with a lease term of 12 months or less, as expense in the period incurred.

Lessor agreements, where the Colleges are leasing assets to a third party, are included in accounts receivable and deferred inflows of resources on the Statement of Net Position. Lease receivables represent the Colleges' claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at the commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectable amounts. Interest revenue is recognized ratably over the contract term on a straight-line basis. Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term.

Seattle Colleges

Notes to Financial Statements

The deferred inflows related to leases are recognized as lease revenue on a straight-line basis over the lease term. The Colleges recognizes payments received for short-term leases, with a lease term of 12 months or less, as revenue as the payments are received.

Unearned revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the following fiscal year, including tuition and fees paid with financial aid funds. The Colleges have recorded 2022 summer and fall quarter tuition and fees, and advanced grant proceeds as unearned revenues.

Tax exemption

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

Pension liability

For purposes of measuring the net pension liability (asset), 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 and TRS 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 Colleges also report its share of the pension liability for the State Board Retirement Plan in accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions and Related Assets*. See footnote 13 for additional information.

Deferred outflows of resources and deferred inflows of resources (Pensions)

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. Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Post-employment benefits other than pension (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Colleges OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Colleges OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at cost.

Seattle Colleges

Notes to Financial Statements

Deferred outflows of resources and deferred inflows of resources (OPEB)

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. Changes in net pension liability and net OPEB liability not included in pension expense and OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Additionally, changes in Employer contributions subsequent to the measurement date of the net pension liability and net OPEB liability are reported as deferred outflows of resources.

Net position

The Colleges net position is classified as follows:

Net investment in capital assets – This represents the Colleges total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted, nonexpendable – The corpus of nonexpendable restricted resources is available only for investment purposes. These assets are held in perpetuity.

Restricted, expendable – This consists of resources the spending of which is restricted legally or contractually by third parties

Unrestricted – These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

Classification of revenues and expenses

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

Operating revenues – This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state, and local grants and contracts that primarily support the operational/educational activities of the Colleges.

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

Nonoperating revenues – This includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, investment income, and grants received from the federal government.

Nonoperating 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 Colleges, and the amount that is paid by students and/or third parties making payments on the students' behalf.

Seattle Colleges

Notes to Financial Statements

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 Colleges financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Colleges have recorded a scholarship discount and allowance.

State appropriations

The state of Washington appropriates funds to the Colleges 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.

Capital appropriations

The state of Washington appropriates funds to the Colleges for capital projects on an annual and biennial basis which is accounted for in the same manner as state appropriations.

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 and 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 (SBCTC) Strategic Technology Plan. The use of the fund is to implement new Enterprise Resource Planning (ERP) software across the entire system. On a monthly basis, the Colleges remit the portion of tuition collected for the Innovation Fee to the State Board. 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.

Recent adoptions of accounting standards and changes in accounting principle

GASB Statement No. 87, *Leases*, was implemented in 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 Colleges are following the State's Office of Financial Management directives to prepare for the implementation of this statement.

Accounting standards impacting the future

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

Seattle Colleges

Notes to Financial Statements

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for 2023. This statement requires that PPP's that meet the definition of a lease apply the guidance in Statement No. 87, *Leases*, as amended, if certain conditions apply. The impact of this statement has not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA's) for government end users (governments). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The Colleges are following the State's Office of Financial Management directives to prepare for the implementation of this statement.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, effective for 2025. This statement provides guidance for measuring liabilities for leave that have not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payment for leave also should be included in the measurement of the liabilities. The Colleges are following the State's Office of Financial Management directives to prepare for the implementation of this statement.

Note 2 – Cash and Investments

Cash and cash equivalents include bank demand deposits, petty cash held at the Colleges, and unit shares in the Local Government Investment Pool (LGIP). The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17 CFR 270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both the market and credit risk. The LGIP is an unrated investment pool. The Colleges classify balances for institutional financial aid funds as restricted cash.

As of June 30, 2022, the carrying amount of the Colleges cash and equivalents was as follows:

<u>Cash and cash equivalents</u>	<u>Amount</u>
Petty cash and change funds	\$ 17,605
Bank demand and time deposits	8,604,779
Local government investment pool	46,592,148
Restricted cash	1,786,891
Total cash and cash equivalents	<u><u>\$ 57,001,423</u></u>

Seattle Colleges

Notes to Financial Statements

The Colleges hold investments in U.S. Agency Securities. Balances at June 30, 2022:

Investment maturities	June 30, 2022		
	Fair Value	One Year or Less	One to Five Years
U.S. Agency securities	\$ 2,417,066	\$ -	\$ 2,417,066
Subtotal	2,417,066	-	2,417,066
Premium (Discount)	6,009	-	6,009
Total Investments	\$ 2,423,075	\$ -	\$ 2,423,075

Fair value measurement

The Colleges categorize its fair value measurements within the fair value hierarchy established by GASB Statement 72. The Colleges do not hold any securities that would be classified as Level 1, quoted in active markets, for fair value. The Colleges U.S. agency obligations are classified in Level 2 of the fair value hierarchy. These securities, as shown above, are valued primarily based on quoted market prices obtained from external pricing services. The Colleges do not hold any securities that would be classified as Level 3, significant unobservable inputs, for fair value measurement.

Custodial credit risks, deposits

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

Interest rate risk, investments

The Colleges manage 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 Colleges generally will not directly invest in securities maturing more than five years from the date of purchase.

Concentration of credit risk, investments

State law limits the Colleges 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. The Colleges policy does not limit the amount the Colleges may invest in any one issuer. At June 30, 2022, the Colleges held the following reportable investments in the amounts listed.

Investment Type	Issuer	Reported Amount
US agency securities	Federal Home Loan Bank	\$ 2,417,066

Seattle Colleges

Notes to Financial Statements

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 Colleges will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2022, none of the Colleges operating fund investments, held by US Bank, were held in the bank's name as agent for the Colleges, therefore none of the investments are exposed to custodial credit risk.

	Rating		
	Amount	Not Rated	Aaa
Investments			
US agency securities	\$ 2,417,066	\$ -	\$ 2,417,066
Total Investments	\$ 2,417,066	\$ -	\$ 2,417,066

Note 3 – Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. It also includes amounts due from federal, state, and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements.

At June 30, 2022, accounts receivable were as follows:

Accounts Receivable	Amount
Student tuition and fees	\$ 3,413,765
Due from the federal government	6,928,022
Due from other state agencies	35,863,113
Auxiliary enterprise and other	15,656,496
Subtotal	61,861,396
Less allowance for uncollectible accounts	(610,261)
Accounts Receivable, net	<u>\$ 61,251,135</u>

Seattle Colleges

Notes to Financial Statements

Note 4 – Lease Receivable

Seattle Colleges implemented GASB 87, *Leases*, in fiscal year 2022 which establishes a single model for lease accounting. Under this statement lessors recognize a lease receivable equal to the present value of future payments offset with a deferred inflow of resources.

The Colleges hold lease agreements for the use of land and buildings with various third parties. The lessees are required to make fixed monthly payments to the Colleges per the conditions of each lease agreement. The Colleges recognized \$893,403 in lease revenue and \$217,849 in interest revenue during 2022 related to these agreements. As of June 30, 2022, the lease receivable for these agreements is \$6,465,722 and the deferred inflow of resources is \$6,352,108. Expected future lease and interest revenue related to these agreements at June 30, 2022 is as follows:

<u>Year Ending June 30,</u>	<u>Lease Revenue</u>	<u>Interest Revenue</u>	<u>Total</u>
2023	\$ 893,403	\$ 194,196	\$ 1,087,599
2024	893,403	169,650	1,063,053
2025	770,347	144,966	915,313
2026	713,400	122,143	835,543
2027	713,400	98,736	812,136
Thereafter	<u>2,368,155</u>	<u>212,250</u>	<u>2,580,405</u>
Total	<u>\$ 6,352,108</u>	<u>\$ 941,941</u>	<u>\$ 7,294,049</u>

Seattle Colleges

Notes to Financial Statements

Note 5 – Capital Assets

Capital Assets	Beginning Balance - Restated*	Additions & Transfers	Retirements	Ending Balance
Non-depreciable capital assets				
Land	\$ 7,508,577	\$ 8,306,000	\$ (1,556,336)	\$ 14,258,241
Construction in progress	30,465,605	24,809,149	(10,130,147)	45,144,607
Total non-depreciable capital assets	37,974,182	33,115,149	(11,686,483)	59,402,848
Depreciable capital assets				
Buildings	303,789,248	10,130,147	(1,244,990)	312,674,405
Leased Buildings	14,942,670	-	-	14,942,670
Other improvements and infrastructure	1,625,801	-	-	1,625,801
Equipment	24,812,510	709,059	(493,960)	25,027,609
Leased Equipment	474,865	-	-	474,865
Library resources	1,058,668	119,465	(76,647)	1,101,486
Total depreciable capital assets	346,703,762	10,958,671	(1,815,597)	355,846,836
Less accumulated depreciation				
Buildings	128,901,201	6,619,540	(331,997)	135,188,744
Leased Buildings	982,339	2,112,407	-	3,094,746
Other improvements and infrastructure	994,490	78,166	-	1,072,656
Equipment	21,839,273	939,789	(459,047)	22,320,015
Leased Equipment	-	113,826	-	113,826
Library resources	626,375	137,234	(76,647)	686,962
Total accumulated depreciation	153,343,678	10,000,962	(867,691)	162,476,949
Total depreciable capital assets, net	193,360,084	957,709	(947,906)	193,369,887
Total capital assets, net	\$ 231,334,266	\$ 34,072,858	\$ (12,634,389)	\$ 252,772,735

Depreciation expense was \$10,000,962 for the year ending June 30, 2022.

*Restated for GASB 87, Leases, implementation in 2022

Seattle Colleges

Notes to Financial Statements

In October 2021, Seattle Colleges entered into an agreement with Central Puget Sound Regional Transit Authority (Sound Transit) to sell the Atlas Building and Land held by Seattle Colleges to Sound Transit in exchange for land held by Sound Transit and cash. As a result of this transaction the Colleges recognized a gain for financial reporting purposes comparing the appraised value of land received and cash net of the book value of land and buildings exchanged.

Note 6 – Accrued Liabilities

At June 30, 2022, accrued liabilities are the following:

Amounts owed to employees	\$	5,513,113
Amounts held for others and retainage		<u>4,746,213</u>
	\$	<u><u>10,259,326</u></u>

Note 7 – Unearned Revenue

At June 30, 2022, unearned revenue consists of receipts that have not yet met revenue recognition criteria, as follows:

Summer & Fall quarter tuition and fees	\$	2,994,305
Grants and contracts		1,924,235
Other/Auxiliary sales		<u>302,493</u>
	\$	<u><u>5,221,033</u></u>

Note 8 – Risk Management

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

The Colleges purchase 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 combined limit is equal to the value of buildings acquired with certificates of participation. 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 Colleges participate in the 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 Colleges have had no claims in excess of the coverage amount within the past three years. The Colleges, in accordance with state policy, pay unemployment claims on a pay-as-you-go basis. The Colleges finance these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims in FY 2022 were \$940,821. Cash reserves for unemployment compensation for all employees at June 30, 2022, were \$495,713.

Seattle Colleges

Notes to Financial Statements

Note 9 – Compensated Absences

At termination of employment, employees may receive cash payments for all accumulated vacation. 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 time accumulated by the Colleges employees are accrued when earned. The sick leave liability is recorded as an actuarial estimate of one-fourth of the total balance on the payroll records. The accrued vacation leave totaled \$4,615,304 and accrued sick leave totaled \$7,261,858 at June 30, 2022.

An estimated amount, based on a three-year average payout, is recorded as a current liability with the remainder as a non-current liability.

Note 10 – Leases Payable

Seattle Colleges implemented GASB 87, *Leases*, for fiscal year 2022 which establishes a single model for lease accounting. Under this standard lessees recognize a lease liability equal to the present value of future payments offset with an intangible right-to-use lease asset.

The Colleges have leases for facilities and office equipment with various vendors. The lease liability at June 30, 2022 was \$12,595,597. Interest rates range from 1.88% - 2.26%. The future principle and interest payments related to these agreements at June 30, 2022, are as follows:

<u>Year Ending June 30,</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,985,522	\$ 344,764	\$ 2,330,286
2024	2,046,410	300,720	2,347,130
2025	1,518,262	256,637	1,774,899
2026	1,304,285	215,031	1,519,316
2027	1,312,786	172,535	1,485,321
2028-2032	<u>4,428,332</u>	<u>236,339</u>	<u>4,664,671</u>
Total	<u>\$ 12,595,597</u>	<u>\$ 1,526,025</u>	<u>\$ 14,121,622</u>

Note 11 – Notes Payable

In June 2010, the Colleges obtained financing to build The Opportunity Center for Employment and Education aka Employee Resource Center Building, through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of \$9,375,000. The interest rate charged was 4.05%. In October 2019, the Colleges refunded this COP in the amount of \$5,240,000 at a lower interest rate of 1.64%, saving the college significant interest charges over 11 years.

In August 2018, the Colleges obtained financing for the Broadway Edison building energy efficiency project, through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of \$880,000. The interest rate charged is 2.76%.

Seattle Colleges

Notes to Financial Statements

In October 2020, the Colleges obtained financing for the Student Wellness and Fitness Center at the South Seattle College campus through certificates of participation (COP), issued by the Washington State Office of State Treasurer (OST) in the amount of \$7,525,000. The interest rate is 2.79% with a term of 25 years.

In June 2022, the Colleges obtained financing for various energy efficiency improvements and building repairs through certificates of participation (COP), issued by the Washington State Office of State Treasurer in the amount of \$6,080,324 as follows:

- North Seattle College - \$1,755,000 at 3.05% over 15 years
- Seattle Central College - \$2,615,324 at 3.05% over 15 years
- South Seattle College - \$1,710,000 at 3.05% over 15 years

The Colleges debt service requirements for notes payable for the next five years and thereafter are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	942,280	902,800	1,845,080
2024	994,425	853,152	1,847,577
2025	1,050,896	803,431	1,854,327
2026	1,102,180	750,886	1,853,066
2027	1,159,197	695,777	1,854,974
2028-2032	5,181,347	2,591,138	7,772,485
2033-2037	4,110,000	1,502,500	5,612,500
Thereafter	3,465,000	823,500	4,288,500
Subtotal	18,005,325	8,923,184	26,928,509
Add unamortized premium	4,486,242	-	4,486,242
Totals	<u>\$ 22,491,567</u>	<u>\$ 8,923,184</u>	<u>\$ 31,414,751</u>

Note 12 – Schedule of Long-Term Liabilities

Long-Term Liabilities are as follows for the year ending June 30, 2022:

Description	Beginning Balance, restated*	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 12,013,701	\$ 5,374,812	\$ (5,511,351)	\$ 11,877,162	\$ 4,640,439
Certificates of participation	12,555,000	6,080,325	(630,000)	18,005,325	942,280
Unamortized premium	3,817,870	956,167	(287,795)	4,486,242	346,227
Leases	14,486,081	-	(1,890,483)	12,595,598	1,985,522
Total pension obligation (asset)	16,631,157	20,783,454	(55,819,067)	(18,404,456)	197,243
OPEB liability	69,670,442	26,193,497	(29,562,014)	66,301,925	1,094,499
Total	<u>\$ 129,174,251</u>	<u>\$ 59,388,255</u>	<u>\$ (93,700,710)</u>	<u>\$ 94,861,796</u>	<u>\$ 9,206,210</u>

*Restated for GASB 87, Leases, implementation in 2022.

Seattle Colleges

Notes to Financial Statements

Note 13 – Pension and Benefit Plans

The following table represents the aggregate pension amounts for all pension plans for the fiscal year ended June 30, 2022:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Supplemental Plan	Total
Pension (liabilities) assets	\$(2,689,867)	\$27,734,612	\$ (171,247)	\$ 677,938	\$ (7,146,981)	\$ 18,404,455
Deferred outflows of resources	1,134,100	3,561,522	135,198	437,447	6,536,278	11,804,545
Deferred inflows of resources	(2,984,851)	(26,097,435)	(256,732)	(867,134)	(8,723,449)	(38,929,602)
Pension expense (revenue)	(2,036,361)	(8,325,295)	(161,732)	(257,198)	(771,207)	(11,551,793)

Substantially all of the Colleges full-time and qualifying part-time faculty participate in either the Washington State Public Employees Retirement System (PERS) or the Teachers Retirement System (TRS). These cost-sharing, multiple-employer defined benefit pension plans are statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS). The State Legislature establishes and amends laws pertaining to the creation and administration of all public retirement systems.

The DRS, a department within the primary government of the state of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

PERS and TRS

Plan Description

PERS members include elected officials, state employees, employees of the Supreme, Appeals, and Superior Courts, employees of the legislature, employees of District and municipal courts, employees of local governments, and higher education employees not participating in higher education retirement programs. TRS members include those employed at a certified public school in an instructional, administrative, or supervisory capacity. PERS and TRS is comprised of three separate pension plans for membership purposes. PERS and TRS Plans 1 and 2 are defined benefit plans, and PERS and TRS Plan 3 is a defined benefit plan with a defined contribution component.

Pension Benefits

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average financial compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits.

Seattle Colleges

Notes to Financial Statements

Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Washington State Department of Labor and Industries (L&I). PERS 1 members were vested after the completion of five years of eligible service. The Plan was closed to new entrants on September 30, 1977.

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for PERS Plan 2, and 1 percent of AFC times the member's years of service for PERS Plan 3. The AFC is the average of the member's 60 highest-paid consecutive months. There is no cap on years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.

PERS Plan 2/3 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a COLA based on the Consumer Price Index (CPI), capped at three percent annually, and a one-time duty-related death benefit, if found eligible by the Washington State L&I. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service, or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, the required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

TRS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are calculated using two percent of the member's AFC times the member's years of service – up to a maximum of 60 percent. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Other benefits include temporary and permanent disability payments, an optional COLA, and a one-time duty-related death benefit, if found eligible by the Washington State L&I. TRS 1 members are vested after completion of five years of eligible service.

TRS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for TRS Plan 2, and one percent of AFC times the member's years of service for TRS Plan 3. The AFC is the average of the member's 60 highest-paid consecutive months. There is no cap on years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.

TRS Plan 2/3 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a COLA based on the CPI, capped at three percent annually, and a one-time duty related death benefit, if found eligible by the Washington State L&I. TRS Plan 2 members are vested after completing five years of eligible service. TRS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service, or after five years of service if 12 months of that service are earned after age 44.

Seattle Colleges

Notes to Financial Statements

TRS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. TRS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The Colleges required contribution rates (expressed as a percentage of covered payroll) for the fiscal year ended June 30, 2022, are as follows:

	<u>District</u>	<u>Employee</u>
PERS:		
Plan 1	12.97%	6.00%
Plan 2/3	12.97%	7.90%
TRS:		
Plan 1	15.74%	6.00%
Plan 2/3	15.74%	7.77%

PERS Plan 1 and TRS Plan 1-member contribution rates are developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts the PERS Plan 1 and TRS Plan 1 contribution rates.

PERS Plan 2/3 and TRS Plan 2/3-member and employer contribution rates are developed by the OSA to fully fund Plan 2 and the defined benefit portion of Plan 3. The PERS Plan 2/3 and TRS Plan 2/3 employer rates include components to address the PERS Plan 1 and TRS Plan 1 unfunded actuarial accrued liability, respectively, and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 and Plan 3 employer and employee contribution rates.

Actual contributions to the plans for the FY ended June 30, 2022, are as follows:

	<u>Contributions</u>
PERS:	
Plan 1	\$ 1,134,100
Plan 2	1,330,130
Plan 3	601,526
TRS:	
Plan 1	\$ 135,198
Plan 2	2,240
Plan 3	166,008

Seattle Colleges

Notes to Financial Statements

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows on 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 five-year period. Deferred outflows 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 state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. State contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

Deferred inflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred 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 state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

At June 30, 2022, the Colleges reported deferred outflows of resources and deferred inflows of resources related to pensions for its PERS plans from the following sources:

	PERS 1		PERS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ 1,347,030	\$ 340,000
Difference between expected and actual earnings of pension plan investments	-	2,984,851	-	23,179,631
Changes of assumptions	-	-	40,529	1,969,617
Changes in proportion and difference between contributions and proportionate share of contributions	-	-	242,301	608,187
Contributions subsequent to the measurement date	1,134,100	-	1,931,662	-
Total	<u>\$ 1,134,100</u>	<u>\$ 2,984,851</u>	<u>\$ 3,561,522</u>	<u>\$ 26,097,435</u>

The average of the expected remaining service lives of all faculty in PERS 1 and PERS 2/3 that are provided with pensions through the Colleges (active and inactive) is 1 year and 6.8 years, respectively.

Seattle Colleges

Notes to Financial Statements

At June 30, 2022, the Colleges reported deferred outflows of resources and deferred inflows of resources related to pensions for its TRS plans from the following sources:

	TRS 1		TRS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ 210,616	\$ 5,487
Difference between expected and actual earnings of pension plan investments	-	256,732	-	790,392
Changes of assumptions	-	-	42,170	35,626
Changes in proportion and difference between contributions and proportionate share of contributions	-	-	16,414	35,629
Contributions subsequent to the measurement date	135,198	-	168,248	-
Total	<u>\$ 135,198</u>	<u>\$ 256,732</u>	<u>\$ 437,448</u>	<u>\$ 867,134</u>

The average of the expected remaining service lives of all faculty in TRS 1 and TRS 2/3 that are provided with pensions through the System (active and inactive) is 1 year and 10 years, respectively.

Deferred outflows of resources related to pensions resulting from the Colleges contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

FY	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
2023	\$ (790,687)	\$ (6,445,391)	\$ (68,034)	\$ (182,771)
2024	(724,557)	(6,028,929)	(62,254)	(169,557)
2025	(685,098)	(5,771,123)	(58,917)	(158,740)
2026	(784,509)	(6,138,434)	(67,527)	(181,452)
2027	-	(74,188)	-	24,020
Thereafter	-	(9,510)	-	70,566
Total net deferred (inflows)/outflows	<u>\$ (2,984,851)</u>	<u>\$ (24,467,575)</u>	<u>\$ (256,732)</u>	<u>\$ (597,934)</u>

Seattle Colleges

Notes to Financial Statements

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined by an actuarial valuation as of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the OSAs 2013-2018 Demographic Experience Study Report and the 2019 Economic Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary Increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- Investment Rate of Return: 7.40%

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. 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. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Discount Rate

The discount rate used to measure the TPL for all DRS plans provided by the Colleges was 7.40 percent. To determine that rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' 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 was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.40 percent was determined using a building-block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expenses, including inflation) to develop each major asset class. Those expected returns make up one component of WSIBs capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to stimulate future investment returns at various future times. The long-term expected rate of return of 7.40 percent approximately equals the median of the stimulated investment returns over a 50-year time horizon, adjusted to remove or dampen any short-term changes to WSIBs capital market assumptions (CMAs) that aren't expected over the entire 50-year measurement period.

Seattle Colleges

Notes to Financial Statements

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIBs most recent long-term estimate of board economic inflation.

Asset Class	Target Allocation	Percent Long-Term Expected Real Rate of Return
Fixed income	20.00%	2.20%
Tangible assets	7.00%	5.10%
Real estate	18.00%	5.80%
Global equity	32.00%	6.30%
Private equity	23.00%	9.30%
Inflation component		2.20%
Investment rate of return		7.40%

Sensitivity of Net Pension Liability

The table below presents the Colleges proportionate share of the net pension liability (NPL) calculated using the discount rate of 7.40 percent, as well as what the Colleges proportionate share of the NPL 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.

	Employer's Proportionate Share of the Net Pension Liability / (Assets)		
	1.00% Decrease (6.40%)	Current Discount Rate (7.40%)	1.00% Increase (8.40%)
	PERS Plan 1	\$ 4,582,338	\$ 2,689,867
PERS Plan 2/3	(7,901,053)	(27,734,612)	(44,067,560)
TRS Plan 1	328,236	171,247	34,246
TRS Plan 2/3	118,217	(677,938)	(1,327,400)
Totals	<u>\$ (2,872,262)</u>	<u>\$ (25,551,436)</u>	<u>\$ (44,321,279)</u>

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Seattle Colleges

Notes to Financial Statements

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

At June 30, 2022, The Colleges reported a total pension liability (asset) for its proportionate share of the net pension liabilities/(assets) as follows:

	<u>Net Pension Liability (Asset)</u>
PERS Plan 1	\$ 2,689,867
PERS Plan 2/3	(27,734,612)
TRS Plan 1	171,247
TRS Plan 2/3	<u>(677,938)</u>
Totals	<u>\$ (25,551,436)</u>

At June 30, 2022, the Colleges proportionate share of the collective net pension liabilities (assets) were as follows:

PERS Plan 1	0.220258%
PERS Plan 2/3	0.278415%
TRS Plan 1	0.025434%
TRS Plan 2/3	0.024663%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations* for all plans.

Seattle Colleges

Notes to Financial Statements

Pension Expense (Revenue)

The table below shows the components of each plan's pension expense (revenue) as it is affected by faculty benefits:

2022	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	Total Plans
Actuarially determined pension expense	\$ (494,158)	\$ (6,284,300)	\$ (48,559)	\$ (86,931)	\$ (6,913,948)
Contributions subsequent to the measurement date	(1,142,274)	(1,935,291)	(136,785)	(169,697)	(3,384,047)
Amortization of prior year change in proportion previously recorded as deferred outflows	-	46,597	-	5,576	52,173
Amortization of prior year change in proportion previously recorded as deferred inflows	-	(152,301)	-	(6,146)	(158,447)
Amortization of change in proportionate pension expense	(399,930)	-	23,612	-	(376,318)
Pension expense (revenue)	<u>\$ (2,036,361)</u>	<u>\$ (8,325,295)</u>	<u>\$ (161,732)</u>	<u>\$ (257,198)</u>	<u>\$ (10,780,586)</u>

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

Plan Description

The State Board Retirement Plan is a privately administered single employer defined contribution plan with a supplemental defined benefit plan component, which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. The Colleges participate 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, 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 provide retirement, disability, and death benefits to eligible members.

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

Seattle Colleges

Notes to Financial Statements

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. Update procedures were used to roll forward the total pension liability to the June 30, 2022, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- | | |
|---|-------------|
| • Salary Increases | 3.50%–4.00% |
| • Fixed Income and Variable Income Investment Returns | N/A* |

*Measurement reflects actual investment returns

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

Most actuarial assumptions used in the January 1, 2020, valuation were based on the results of the August 2021 Higher Education SRP Experience Study. Additional assumptions related to the salary growth were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material Assumption Changes

Some significant changes in plan provisions and actuarial assumptions from the 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 7.0 percent
- The total pension liability now is 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 assumptions to estimate future plan experience.

Seattle Colleges

Notes to Financial Statements

Discount Rate

At the June 30, 2022, measurement date the discount rate used to measure the total pension liability was set at 7.0% determined using an asset sufficiency test to determine whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members.

Contributions

Contribution rates for the SBRP Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), which are based upon age, are 5%, 7.5%, or 10% of salary and are matched by the District. Employee and employer contributions for the year ended June 30, 2022, were each \$5,618,316.

Pension Expense (revenue)

For the year ended June 30, 2022, the Colleges reported \$(771,207) for pension expense (revenue) in the State Board Supplemental Retirement Plans.

Service Cost	\$	156,795
Interest Cost		527,989
Amortization of Differences Between Expected and Actual Experience		(365,267)
Amortization of Changes in Assumptions		(307,560)
Expected Earnings on Plan Investments		(251,413)
Amortization of Difference Between Projected and Actual Earnings on Plan Investments		<u>(85,052)</u>
Proportionate Share of Collective Pension Expense		(324,508)
Amortization of the Changes in Proportionate Share of Total Pension Liability		(46,600)
Benefit Payments and Employer Contributions		<u>(400,099)</u>
Current Year Pension Expense (Revenue)		(771,207)
Beginning Balance of Net Position		<u>(3,311,923)</u>
Total Pension Expense	\$	<u><u>(4,083,130)</u></u>

Plan Membership

Membership of the State Board Supplemental Retirement Plans consisted of the following at June 30, 2022:

<u>Number of Participating SBRP Members at Seattle Colleges</u>	
Inactive members (or beneficiaries) currently receiving benefits	17
Inactive members entitled to but not yet receiving benefits	33
Active members	<u>459</u>
Total members	<u><u>509</u></u>

Seattle Colleges

Notes to Financial Statements

Net Pension Liability/(Asset)

The following table presents the change in net pension liability/(asset) of the State Board Supplemental Retirement Plans at June 30, 2022, the latest measurement date for the plan:

Schedule of Changes in Total Pension Liability	Amount
Service Cost	\$ 156,691
Interest	527,885
Differences between expected and actual experience	2,332,799
Changes in assumptions	757,775
Benefit payments	(313,487)
Changes in proportionate share of total pension liability	<u>47,554</u>
Net change in total pension liability	3,509,217
Total pension liability - beginning	<u>7,041,706</u>
Total pension liability - ending (a)	10,550,923
Contributions - Employer	86,612
Contributions - Member	-
Net investment income	5,407
Benefit payments	-
Administrative expense	<u>-</u>
Net change in plan fiduciary net position	92,019
Plan fiduciary net position - beginning	<u>3,311,923</u>
Plan fiduciary net position - ending (b)	<u>3,403,942</u>
Net pension liability (a) - (b)	<u>\$ 7,146,981</u>

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

The following table presents the total pension liability/(asset), calculated using the discount rate of 7.00 percent, as well as what the employers' total pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

Discount Rate Sensitivity		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 8,308,386	\$ 7,146,981	\$ 6,150,890

Seattle Colleges

Notes to Financial Statements

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,784,677	\$ 3,186,855
Changes in assumptions	2,524,322	4,286,710
Changes in district's proportionate share of pension liability	1,030,558	847,186
Net difference between projected and actual investment	<u>196,722</u>	<u>402,698</u>
Total	<u>\$ 6,536,279</u>	<u>\$ 8,723,449</u>

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:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (804,479)
2024	(633,127)
2025	(375,995)
2026	(127,323)
2027	(624,914)
Thereafter	<u>378,668</u>
Total	<u>\$ (2,187,170)</u>

Note 14 – Other Post-Employment Benefits

The Colleges employees are eligible to participate in the employer defined benefit other postemployment benefit (OPEB) plan administered by the State Health Care Authority (HCA). The plan, as authorized through RCW 41.05.065, is designed by the Public Employee Benefits Board (PEBB), created within HCA, and determined the terms and conditions of employee and retired employee participation and coverage, including eligibility criteria. The PEBB OPEB plan benefits are provided in accordance with a substantive plan, rather than a formalized contract or plan document and, as such, rely on communication of the plan terms by HCA with employers and plan members as well as the historical practice of plan cost sharing employers. 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 this substantive plan will be carried forward into the future.

The PEBB OPEB plan is funded on a pay-as-you-go basis with contributions established by the Legislature as part of the biennium budget process. There are no plan assets and the plan does not issue a publicly available financial report.

Seattle Colleges

Notes to Financial Statements

The PEBB retiree OPEB plan is available to employees eligible for retirement electing to continue coverage and pay the administratively established health insurance premiums at the time they retire under the provisions of the retirement plan to which they belong.

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 this risk pool receive an implicit subsidy because the retired members pay a premium based on the claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims cost and the premium.

Retirees who are reenrolled 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 from the reduced premiums. The explicit subsidy is established through an annual recommendation by the HCA administrator, which is included in the Governor's budget with the final amount approved by the state Legislature. In calendar year 2022, the explicit subsidy was \$183 per enrollee member per month.

OPEB implicit and explicit subsidies as well as administrative costs are funded by the required contributions participating employers make. The Commission is required to make monthly contributions on behalf of all active, health care eligible employees (headcount), regardless of enrollment status. The allocation method used by the state to determine the proportionate share of the OPEB related liabilities, deferred inflows, deferred outflows, and expense is the percentage of headcount as a percentage of the state's total headcount.

This same method is used to determine the transactions subsequent to the measurement date, specifically the retiree portion of premium payments made by agencies on behalf of active, health care eligible employees between the measurement date of June 30, 2021, and the reporting date of June 30, 2022. The portion of health care premiums attributed to retirees for both explicit and implicit subsidies is taken from the FY 2022 4th Quarter Update in the PEBB Financial Projection Model (PFPM) from the State Health Care Authority.

Additional information will be included in the Washington State 2022 Annual Comprehensive Financial Report on OFM's website: www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report.

Additional information on health care trends, rates and other actuarial data is available on the Office of the State Actuary's website (leg.wa.gov/osa).

Summary of Plan Participants As of June 30, 2021

Active Employees*	1,333
Retirees Receiving Benefits**	520
Retirees Not Receiving Benefits***	61
Total Active Employees and Retirees	<u>1,914</u>

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

**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.

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

Seattle Colleges

Notes to Financial Statements

For the year ending June 30, 2022, HCA reports total OPEB liability of \$6.472 billion. At June 30, 2022, the Colleges recognized its proportionate share of the OPEB liability of \$66,301,925. The OPEB liability was measured as of June 30, 2021.

For the year ended June 30, 2022, the Colleges recognized deferred outflows and inflows of resources related to the net OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 4,222,439	\$ 12,020,833
Changes in agency proportion	-	17,129,696
Difference between expected and actual experience	1,134,125	256,660
Transactions subsequent to measurements date	1,094,498	-
Totals	<u>\$ 6,451,062</u>	<u>\$ 29,407,189</u>

The \$1,094,498 reported as deferred outflows of resources from transactions subsequent to the measurement date will be recognized as a reduction in the OPEB liability in the measurement period ended June 30, 2022.

Other amounts reported as deferred inflows of resources will be recognized as OPEB expense in subsequent years as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (4,506,156)
2024	(4,506,156)
2025	(4,506,156)
2026	(4,506,155)
2027	(2,901,019)
Thereafter	<u>(3,124,982)</u>
Total	<u>\$ (24,050,624)</u>

The total OPEB liability in the June 30, 2020, actuarial valuation, which was rolled forward to the June 30, 2021 measurement date, was determined using the following actuarial assumptions:

Inflation:

Economic	2.75%
Salary	3.50%
(Salaries are also expected to grow by promotions and longevity)	

Health care trend rates:

Initial rate	2-11%
Expected by 2075	4.30%

Seattle Colleges

Notes to Financial Statements

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 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. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

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

The following represents the Colleges proportionate share of the OPEB liability calculated using the discount rate of 2.16% as well as what the proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) and one percentage point higher (3.16%) than the current rate:

Discount Rate Sensitivity		
1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
\$ 80,329,485	\$ 66,301,925	\$ 55,395,601

The following represents the total OPEB liability of the Colleges, calculated using the health care trend rates of 2-11% percent reaching an ultimate range of 4.3%, 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%) or 1 percentage point higher (3-12%) than the current rate:

Health Care Cost Trend Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
\$ 53,490,807	\$ 66,301,925	\$ 83,614,067

Note 15 – Washington State Deferred Compensation Program

The Colleges, through the state of Washington, offers its employees a deferred compensation plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their salary until future years. The state of Washington administers the plan on behalf of the Colleges employees. The deferred compensation is not available to employees until termination, retirement, or unforeseeable financial emergency. The Colleges do not have access to the funds.

Seattle Colleges

Notes to Financial Statements

Note 16 – Functional Operating and Nonoperating Expenses by Program

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

Instruction	\$ 71,792,912
Student Services	22,853,824
Academic Support Services	12,925,081
Scholarships and Other Student Financial Aid	27,021,305
Institutional Support	24,144,057
Operations and Maintenance of Plant	34,285,751
Auxiliary Enterprises	2,230,306
Depreciation	10,000,962
	<u>\$ 205,254,198</u>

Note 17 – Commitments and Contingencies

The Colleges are 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 statements.

The Colleges had commitments in the amount of \$23,157,972 at June 30, 2022, relating to various construction projects.

Note 18 – Discretely Presented Component Units

The Seattle Colleges Foundation

The Seattle Colleges Foundation is a Washington nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Organized in April 2018 it holds endowment assets transferred from the *Foundation for the Seattle Colleges*.

The Seattle Colleges Foundation advances the mission, work, and impact of the District of Seattle Colleges ("the District"), by engaging our community to transform lives, promote equity, and increase access to quality, affordable education. While the Foundation's Board of Directors are separate and distinct from the District's Board of Trustees, the District's Vice Chancellor for Advancement acts as the Chief Executive Officer of the Foundation, subject to the oversight of the Foundation's Board of Directors. Operational costs are primarily supported by in-kind contributions from the District, and by private philanthropy.

The Foundation's primary activities include raising funds for a range of purposes, including scholarships, capital improvements, and academic programs with the goal of promoting student success and strengthening the Seattle community. These activities include soliciting and receiving contributions and grants in the name of and on behalf of the District and the three colleges within the District – North Seattle College, Seattle Central College, and South Seattle College.

Seattle Colleges

Notes to Financial Statements

During the year ended June 30, 2022, the Colleges received \$2,156,504 from the Seattle Colleges Foundation.

Foundation for the Seattle Colleges

The Foundation for the Seattle Colleges was organized in 2006 and is a Washington nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Foundation promotes advancement of education by providing support to the District for Seattle Colleges (the "District") and the three community colleges in Seattle (the "Colleges"). Prior to December 2018, the Foundation's primary activities included engaging in fundraising and grantmaking activities in support of the District as a whole. These activities included soliciting and receiving contributions and grants in the name of and on behalf of the District, and the Colleges, and making grants to the District and Colleges based on those contributions.

In December 2018, the Foundation transferred its endowment and other assets held for grantmaking into the control of the newly formed *Seattle Colleges Foundation*. All existing restrictions from donors on these grants have been maintained by the Seattle Colleges Foundation. The Seattle Colleges Foundation maintains a separate board of directors and neither foundation exists exclusively to benefit the other. Any future contributions received by the Foundation for Seattle Colleges are anticipated to be granted to the Seattle Colleges Foundation, although such grants are at the discretion of the Board of Directors (and subject to any donor-imposed restrictions). Subsequent to this transfer, the Foundation for the Seattle Colleges ceased its primary operations as a fundraising and grantmaking organization and will continue general operations related to the coordination of the Pacific Tower Rehabilitation Project for an indefinite time period which is now its primary operations in support of the Colleges.

During the year ended June 30, 2022, the Colleges received \$250 from Foundation for the Seattle Colleges.

South Seattle Colleges Foundation

South Seattle College Foundation is a Washington nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The foundation's mission is to change lives by providing students with scholarships and other support so they can pursue quality academic and vocational education at South Seattle College. This is done through relationship building, fundraising, and stewarding resources.

The foundation operates independently but still in support of South Seattle College.

During the year ended June 30, 2022, the Colleges received \$375,127 from the South Seattle Colleges Foundation.

As discussed in Note 1, the Foundations have been included in the reporting entity as a component unit. Although the Foundations are not deemed to be a governmental entity and use a different reporting model, its balances and transactions have been converted to follow governmental accounting for reporting in the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position.

Seattle Colleges

Notes to Financial Statements

Condensed Combining Statements for Discrete Component Units

Seattle Colleges

Discretely Presented Component Units

Condensed Combining Statement of Net Position at June 30, 2022

	Total Discrete Component Units	Seattle Colleges Foundation	Foundation for The Seattle Colleges	South Seattle College Foundation
Current Assets				
Cash and cash equivalents	\$ 6,956,718	\$ 4,939,460	\$ 1,982,055	\$ 35,203
Short term investments	8,604,495	6,588,455	107,043	1,908,997
Accounts receivable	6,378,584	5,951,530	26,764	400,290
Other assets	170,012	63,810	104,510	1,692
Total Current Assets	22,109,809	17,543,255	2,220,372	2,346,182
Noncurrent Assets				
Long term investments	45,168,711	21,646,959	-	23,521,752
Loans and other receivables	17,891,219	-	17,891,219	-
Depreciable capital assets, net	37,009,118	-	37,009,118	-
Total Noncurrent Assets	100,069,048	21,646,959	54,900,337	23,521,752
Total Assets	\$ 122,178,857	\$ 39,190,214	\$ 57,120,709	\$ 25,867,934
Liabilities				
Accounts payable	\$ 2,166,291	\$ 1,692,189	\$ 464,949	\$ 9,153
Deposits payable	436,114	-	118,278	317,836
Loans payable	21,046,139	-	21,046,139	-
Total Liabilities	23,648,544	1,692,189	21,629,366	326,989
Net Position				
Net investment in capital assets	15,962,979	-	15,962,979	-
Restricted for Component Units	50,150,267	32,832,075	1,769,169	15,549,023
Unrestricted	32,417,067	4,665,950	17,759,195	9,991,922
Total Net Position	98,530,313	37,498,025	35,491,343	25,540,945
Total Liabilities and Net Position	\$ 122,178,857	\$ 39,190,214	\$ 57,120,709	\$ 25,867,934

Seattle Colleges

Discretely Presented Component Units

Condensed Combining Statement of Revenues, Expenses and Changes in Net Position FY Ending June 30, 2022

Operations				
Operating revenue	\$ 14,026,488	\$ 9,114,111	\$ 3,429,077	\$ 1,483,300
Scholarships	2,532,001	2,156,624	250	375,127
Operating expenses	10,298,564	2,387,078	7,800,278	111,208
Income (loss) from operations	1,195,923	4,570,409	(4,371,451)	996,965
Non-operating				
Noncontrolling member distributions	411,048	-	411,048	-
Investment Income, gain (loss)	(2,326,590)	(4,128,956)	-	1,802,366
Increase (decrease) in net position	(1,541,715)	441,453	(4,782,499)	2,799,331
Net position, beginning of year	100,072,028	37,056,572	40,273,842	22,741,614
Net position, end of year	\$ 98,530,313	\$ 37,498,025	\$ 35,491,343	\$ 25,540,945

Seattle Colleges

Notes to Financial Statements

Foundation audited financial statements may be obtained through requests submitted to the following:

Seattle Colleges Foundation

PO Box 20069

Seattle, WA 98102

Attn: Nicholas Pennington, Executive Director

Email: nicholas.pennington@seattlecolleges.edu

Foundation for The Seattle Colleges

PO Box 20069

Seattle, WA 98102

Attn: Nicholas Pennington, Executive Director

Email: nicholas.pennington@seattlecolleges.edu

South Seattle College Foundation

PO Box 15450

Seattle, WA 98115

Attn: Stephanie Doenges, Accountant

Email: info@southseattlecollegefoundation.org

Note 19 – Restatements

The Colleges made the following restatements to correct beginning Net Position as of June 30, 2021:

Net Position

Net position, beginning of year	\$ 178,342,704
Cumulative effect of change in accounting principal - GASB-87	(50,885)
Adjustment to correct PY Capital Assets, net	54,305
Adjustment to correct PY Liabilities	<u>(656,482)</u>
Net Position, beginning of year, as restated	<u>\$ 177,689,642</u>

Seattle Colleges

Notes to Financial Statements

Note 20 – Subsequent Events

In December 2022, Foundation for the Seattle Colleges assigned its remaining holdings, subleases and contracts to the Washington State Department of Commerce, as previously agreed, following the conclusion of the Pacific Tower Rehabilitation Project. After this assignment Foundation for the Seattle Colleges filed Articles of Dissolution with the Washington Secretary of State permanently ceasing its operations. Prior to dissolution Foundation for the Seattle Colleges transferred its endowment holdings to the Seattle Colleges Foundation, a wholly separate non-profit organization, to be administered per previously established agreements.

In November 2023, Seattle Colleges obtained \$685K of financing in the form of Certificates of Participation through OST to fund solar array infrastructure and installation at Seattle Central and North Seattle College campuses.

In 2023, Seattle Colleges received \$600K reimbursement from Washington State Department of Commerce (Commerce) for capital repairs made to the Seattle Vocational Institute (SVI) Building. These repair funds were initially provided to Commerce through enabling legislation to oversee the repairs concurrent with the transfer of SVI to CDCPDA. An interagency agreement was formed for Seattle Colleges to facilitate these repairs on behalf of the yet to be formed CDCPDA.

In April 2024, Seattle Colleges was notified by Follett Higher Education of Follett's intent to terminate the College's contract for operation of campus bookstore's due to marketplace pressures and declining sales. Seattle Colleges entered into a contract with Akademos to provide bookstore services for Fall of 2024.

On May 9th, 2024, the State Board for Community and Technical Colleges approved resolution 24-05-30 for the sale of 2.3 acres of land for affordable housing as allowed under RCW 39.33.015 which grants state agencies the authority to dispose of surplus land for a public benefit purpose. North Seattle College has determined that it does not require the property for future academic and support facilities. Further North Seattle College has been studying the feasibility of providing affordable housing and this agreement will allow Bellwether Housing and Chief Seattle Club, both affordable housing developers, to construct such housing. Additionally, this agreement provides right of first refusal for Seattle Colleges to regain title for up to 170 years if the intended use of the property changes.

There have been various changes to executive leadership positions including the Chancellor and President's at all three campuses. Dr. Rosie Rimando-Chareunsap began serving as the Chancellor of Seattle Colleges in August 2023. Dr. Rachel Solemsaas, Dr. Bradley Lane, and Dr. Monica Brown were chosen to serve as President at North, Central and South Seattle Colleges, respectively, in June with appointments beginning in July of 2024.

Required Supplementary Information

Seattle Colleges

Required Supplementary Information

Schedule of Proportionate Share of Net Pension Liability Year Ended June 30, 2022

Schedule of Proportionate Share of the Total Pension Liability*				
As of June 30, 2022				
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's portion of the total pension liability	0.220258%	0.278415%	0.025434%	0.024663%
Employer's proportionate share of the total pension liability (asset)	2,689,867	(27,734,612)	171,247	(677,938)
Employer's covered employee payroll	30,410,096	30,340,433	2,105,782	2,086,680
Employer's proportionate share of the total pension liability as a percentage of the covered employee payroll	8.85%	-91.41%	8.13%	-32.49%
Plan fiduciary total position as a percentage of the total pension liability	88.74%	120.29%	91.42%	113.72%
As of June 30, 2021				
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's portion of the total pension liability	0.231523%	0.294731%	0.024460%	0.240060%
Employer's proportionate share of the total pension liability	8,174,012	3,769,441	589,189	368,728
Employer's covered employee payroll	33,530,624	33,330,537	1,843,485	1,815,273
Employer's proportionate share of the total pension liability as a percentage of the covered employee payroll	24.38%	11.31%	31.96%	20.31%
Plan fiduciary total position as a percentage of the total pension liability	68.64%	97.22%	70.55%	91.72%
As of June 30, 2020				
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's portion of the total pension liability	0.223844%	0.282298%	0.022163%	0.021529%
Employer's proportionate share of the total pension liability	8,607,596	2,742,073	548,712	129,720
Employer's covered employee payroll	35,057,326	34,758,080	1,772,206	1,743,103
Employer's proportionate share of the total pension liability as a percentage of the covered employee payroll	24.55%	7.89%	30.96%	7.44%
Plan fiduciary total position as a percentage of the total pension liability	67.12%	97.77%	70.37%	96.36%
As of June 30, 2019				
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's portion of the total pension liability	0.227371%	0.283070%	0.025627%	0.024782%
Employer's proportionate share of the total pension liability	10,154,469	4,833,159	748,460	111,547
Employer's covered employee payroll	31,050,479	30,753,777	1,459,969	1,431,146
Employer's proportionate share of the total pension liability as a percentage of the covered employee payroll	32.70%	15.72%	51.27%	7.79%
Plan fiduciary total position as a percentage of the total pension liability	63.22%	95.77%	66.52%	96.88%
As of June 30, 2018				
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's portion of the total pension liability	0.244331%	0.300851%	0.030111%	0.025890%
Employer's proportionate share of the total pension liability	11,593,699	10,453,128	910,336	238,950
Employer's covered employee payroll	29,375,810	29,375,810	1,467,085	1,428,031
Employer's proportionate share of the total pension liability as a percentage of the covered employee payroll	39.47%	35.58%	62.05%	16.73%
Plan fiduciary total position as a percentage of the total pension liability	61.24%	90.97%	65.58%	93.14%

Seattle Colleges

Required Supplementary Information

Schedule of Proportionate Share of Net Pension Liability (continued) Year Ended June 30, 2022

	As of June 30, 2017			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's portion of the total pension liability	0.249531%	0.301052%	0.032263%	0.027799%
Employer's proportionate share of the total pension liability	13,400,990	15,157,730	1,101,535	381,763
Employer's covered employee payroll	30,067,061	29,496,393	1,550,219	1,419,701
Employer's proportionate share of the total pension liability as a percentage of the covered employee payroll	44.57%	51.39%	71.06%	26.89%
Plan fiduciary total position as a percentage of the total pension liability	57.03%	85.82%	62.07%	88.72%
	As of June 30, 2016			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's portion of the total pension liability	0.243765%	0.294144%	0.029606%	0.023049%
Employer's proportionate share of the total pension liability	12,751,176	10,509,935	937,960	194,488
Employer's covered employee payroll	28,902,416	28,146,998	1,500,096	1,377,445
Employer's proportionate share of the total pension liability as a percentage of the covered employee payroll	44.12%	37.34%	62.53%	14.12%
Plan fiduciary total position as a percentage of the total pension liability	59.10%	89.20%	65.70%	92.48%
	As of June 30, 2015			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's portion of the total pension liability	0.236912%	0.282041%	0.025445%	0.017490%
Employer's proportionate share of the total pension liability	11,934,553	5,701,068	750,488	56,513
Employer's covered employee payroll	26,975,186	26,169,995	1,258,555	1,090,532
Employer's proportionate share of the total pension liability as a percentage of the covered employee payroll	44.24%	21.78%	59.63%	5.18%
Plan fiduciary total position as a percentage of the total pension liability	61.19%	93.29%	68.77%	96.81%
	As of June 30, 2014			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Employer's portion of the total pension liability	0.228717%	0.268941%	0.024519%	0.013786%
Employer's proportionate share of the total pension liability	13,364,515	11,483,821	866,069	151,183
Employer's covered employee payroll	24,019,544	23,171,384	904,477	725,181
Employer's proportionate share of the total pension liability as a percentage of the covered employee payroll	55.64%	49.56%	95.75%	20.85%
Plan fiduciary total position as a percentage of the total pension liability	61.19%	93.29%	68.77%	96.81%

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

Notes to Schedule:

There were no changes benefits.

Changes in Assumptions:

The General Salary Growth Assumption changed from the prior year as follows:

PERS 1 – From 3.50% to 5.30%

PERS 2/3 – From 3.50% to 5.00%

TRS 1 – From 3.50% to 3.40%

TRS 2/3 – From 3.50% to 2.80%

Seattle Colleges

Required Supplementary Information

Schedule of Employer Contributions Year Ended June 30, 2022

	Schedule of Employer Contributions*			
	As of June 30, 2022			
	<u>PERS Plan 1</u>	<u>PERS Plan 2/3</u>	<u>TRS Plan 1</u>	<u>TRS Plan 2/3</u>
Statorily of contractually required contributions	1,134,100	1,931,657	135,198	168,248
Contributions in relation to the statorily or contractually required contributions	1,134,100	1,931,657	135,198	168,248
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	30,410,096	30,340,433	2,105,782	2,086,680
Contributions as a percentage of covered employee payroll	3.73%	6.37%	6.42%	8.06%
	As of June 30, 2021			
	<u>PERS Plan 1</u>	<u>PERS Plan 2/3</u>	<u>TRS Plan 1</u>	<u>TRS Plan 2/3</u>
Statorily of contractually required contributions	1,642,546	2,639,740	138,465	147,945
Contributions in relation to the statorily or contractually required contributions	1,642,546	2,639,740	138,465	147,945
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	33,530,624	33,330,537	1,843,485	1,815,273
Contributions as a percentage of covered employee payroll	4.90%	7.92%	7.51%	8.15%
	As of June 30, 2020			
	<u>PERS Plan 1</u>	<u>PERS Plan 2/3</u>	<u>TRS Plan 1</u>	<u>TRS Plan 2/3</u>
Statorily of contractually required contributions	1,692,638	2,752,640	129,947	141,569
Contributions in relation to the statorily or contractually required contributions	1,692,638	2,752,640	129,947	141,569
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	35,057,326	34,758,080	1,772,206	1,743,103
Contributions as a percentage of covered employee payroll	4.83%	7.92%	7.33%	8.12%
	As of June 30, 2019			
	<u>PERS Plan 1</u>	<u>PERS Plan 2/3</u>	<u>TRS Plan 1</u>	<u>TRS Plan 2/3</u>
Statorily of contractually required contributions	1,610,060	2,311,380	109,973	112,059
Contributions in relation to the statorily or contractually required contributions	1,610,060	2,311,380	109,973	112,059
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	31,050,479	30,753,777	1,459,969	1,431,146
Contributions as a percentage of covered employee payroll	5.19%	7.52%	7.53%	7.83%

Seattle Colleges

Required Supplementary Information

Schedule of Employer Contributions (continued) Year Ended June 30, 2022

	As of June 30, 2018			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statorily of contractually required contributions	1,474,272	2,184,202	106,582	110,176
Contributions in relation to the statorily or contractually required contributions	1,474,272	2,184,202	106,582	110,176
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	29,375,810	29,375,810	1,467,085	1,428,031
Contributions as a percentage of covered employee payroll	5.02%	7.44%	7.26%	7.72%
	As of June 30, 2017			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statorily of contractually required contributions	1,469,711	1,837,568	105,368	95,392
Contributions in relation to the statorily or contractually required contributions	1,469,711	1,837,568	105,368	95,392
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	30,067,061	29,496,393	1,550,219	1,419,701
Contributions as a percentage of covered employee payroll	4.89%	6.23%	6.80%	6.72%
	As of June 30, 2016			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statorily of contractually required contributions	1,415,082	1,737,946	98,053	90,738
Contributions in relation to the statorily or contractually required contributions	1,415,082	1,737,946	98,053	90,738
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	28,902,416	28,146,998	1,500,096	1,377,445
Contributions as a percentage of covered employee payroll	4.90%	6.17%	6.54%	6.59%
	As of June 30, 2015			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statorily of contractually required contributions	1,121,180	1,313,520	66,409	62,089
Contributions in relation to the statorily or contractually required contributions	1,121,180	1,313,520	66,409	62,089
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	26,975,186	26,169,995	1,258,555	1,090,532
Contributions as a percentage of covered employee payroll	4.16%	5.02%	5.28%	5.69%

Seattle Colleges

Required Supplementary Information

Schedule of Employer Contributions (continued) Year Ended June 30, 2022

	As of June 30, 2014			
	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Statutorily of contractually required contributions	1,015,017	1,153,123	48,359	41,146
Contributions in relation to the statutorily or contractually required contributions	1,015,017	1,153,123	48,359	41,146
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	24,019,544	23,171,384	904,477	725,181
Contributions as a percentage of covered employee payroll	4.23%	4.98%	5.35%	5.67%

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

Methods and Assumptions used to Determine Contribution Rates:

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Actuarial cost method	Entry Age Normal	Aggregate	Entry Age Normal	Aggregate
Amortization method	Level %	n/a	Level %	n/a
Remaining amortization period	10-year rolling			
Asset valuation method		8-year graded smoothed fair value		
Inflation	2.75%	2.75%	2.75%	2.75%
Salary increases	3.50%	3.50%	3.50%	3.50%
Investment rate of return	7.40%	7.40%	7.40%	7.40%
Mortality	Society of Actuaries' Pub. H-2010 mortality rates			

Seattle Colleges

Required Supplementary Information

Schedule of Changes in Total Pension Liability and Related Ratios State Board Supplemental Defined Benefit Plans Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017
Total Pension Liability						
Service cost	\$ 156,691	\$ 479,659	\$ 337,871	\$ 262,054	\$ 393,937	\$ 584,000
Interest	527,885	341,162	380,066	316,981	362,026	379,000
Difference between expected and actual experience	2,332,799	(3,078,051)	800,805	597,624	(1,070,742)	(2,733,000)
Changes in assumptions	757,775	(5,555,297)	2,139,727	1,123,700	(362,232)	(645,000)
Benefit payments	(313,487)	(204,512)	(171,542)	(167,112)	(133,817)	(97,000)
Changes in proportional share of TPL	47,554	965,613	461,496	(961,823)	(469,708)	-
Net change in total pension liability	3,509,217	(7,051,426)	3,948,423	1,171,424	(1,280,536)	(2,512,000)
Total pension liability - beginning	7,041,677	14,093,103	10,144,680	8,973,256	10,253,792	12,765,792
Total pension liability - ending (a)	\$ 10,550,894	\$ 7,041,677	\$ 14,093,103	\$ 10,144,680	\$ 8,973,256	\$ 10,253,792
Total Pension Liability**						
Contributions - employer	\$ 86,612	\$ 67,349	n/a	n/a	n/a	n/a
Contributions - member	-	-	n/a	n/a	n/a	n/a
Net investment income	5,404	842,997	n/a	n/a	n/a	n/a
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 fiduciary net position	92,016	910,346	n/a	n/a	n/a	n/a
Plan fiduciary net position - beginning	3,311,897	2,401,551	n/a	n/a	n/a	n/a
Plan fiduciary net position - ending (b)	3,403,913	3,311,897	n/a	n/a	n/a	n/a
Plan's net pension liability (asset) - ending (a) - (b)	\$ 7,146,981	\$ 3,729,780	n/a	n/a	n/a	n/a
Covered employee payroll	66,599,150	65,411,963	65,236,411	59,288,988	58,154,953	59,920,830
Total pension liability/(asset) as a percentage of covered payroll	15.84%	10.77%	21.60%	17.11%	15.43%	17.11%

*These schedules are to 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 were previously administered through a trust, were placed into a trust or similar arrangement. As a result, this plan previously reported under GASB-73, is now reported under GASB - 68. This change is effective for fiscal year 2021

Changes to benefit terms: There were no changes to benefit terms

Changes in assumptions: The discount rate increased from 2.21% to 7.0%

Mortality, total salary growth and TIAA CREF future accumulation rates assumptions were updated based on the *August 2021 Higher Education SRP Experience Study*

Seattle Colleges

Required Supplementary Information

Schedule of Contributions
State Board Supplemental Defined Benefit Plans
Fiscal Year Ended June 30

	2022	2021	2020	2019	2018	2017
Statutorily of contractually required contributions	\$ 5,726,574	\$ 5,618,316	\$ 5,096,252	\$ 4,608,288	\$ 5,017,499	\$ 5,164,391
Contributions in relation to the statutorily or contractually required contributions	5,726,574	5,618,316	5,096,252	4,608,288	5,017,499	5,164,391
Contribution deficiency (excess)	-	-	-	-	-	-
Covered employee payroll	66,559,150	65,411,963	65,236,411	59,288,988	58,154,953	59,920,830
Contributions as a percentage of covered employee payroll	8.60%	8.59%	7.81%	7.77%	8.63%	8.62%

*These schedules will be built prospectively until they contain 10 years of data

Seattle Colleges

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 3,313,837	\$ 2,891,116	\$ 2,854,005	\$ 3,914,518	\$ 5,182,669
Interest cost	1,432,220	2,418,463	2,475,686	2,691,209	2,427,594
Difference between expected and actual experience	-	(370,607)	-	2,456,551	-
Changes in assumptions	611,922	1,567,704	4,610,377	(17,137,186)	(11,841,846)
Changes in benefit terms	-	-	-	-	-
Benefit payments	(1,091,153)	(1,151,467)	(1,132,477)	(1,136,632)	(1,237,141)
Changes in proportionate share	(7,635,344)	(3,707,038)	(932,644)	(4,625,174)	(5,280,670)
Other	-	(2,463,383)	-	-	-
Net changes in total OPEB liability	(3,368,518)	(815,212)	7,874,947	(13,836,714)	(10,749,394)
Total OPEB Liability - beginning	69,670,443	70,485,655	62,610,708	76,447,422	87,196,816
Total OPEB Liability - ending	\$ 66,301,925	\$ 69,670,443	\$ 70,485,655	\$ 62,610,708	\$ 76,447,422
College's proportion of the total OPEB liability (%)	1.024494%	1.150590%	1.214462%	1.232826%	1.312218%
Covered payroll	101,773,172	102,601,345	116,125,484	106,011,911	104,219,715
Total OPEB liability as a percentage of covered payroll	65.15%	67.90%	60.70%	59.06%	73.35%

Notes to Schedule:

Changes of benefit terms: There were no changes in benefit terms since only the current year is disclosed.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each measurement period:

- June 30, 2021, 2.16% (Municipal Bond Rate)

GASB Statement No. 75 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the Colleges will present information for those years for which information is available.