Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Highline College

For the period July 1, 2022 through June 30, 2023

Published October 28, 2024

Report No. 1035769

Office of the Washington State Auditor
Pat McCarthy

October 28, 2024

Board of Trustees
Highline College
Des Moines, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Highline College
July 1, 2022 through June 30, 2023

Board of Trustees
Highline College
Des Moines, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Highline College, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 21, 2024.

Our report includes a reference to other auditors who audited the financial statements of the Highline College Foundation (the Foundation) as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation that are reported on separately by those auditors.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy, State Auditor

Olympia, WA

October 21, 2024

Highline College
July 1, 2022 through June 30, 2023

Board of Trustees
Highline College
Des Moines, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Highline College, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the financial section of our report.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Highline College, as of June 30, 2023, 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 Highline College Foundation (the Foundation), which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of the other auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 1, the financial statements of the Highline College, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2023, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

October 21, 2024

FINANCIAL SECTION

Highline College
July 1, 2022 through June 30, 2023

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

Highline College

The following discussion and analysis provide an overview of the financial position and activities of Highline College (the College) for the fiscal year ended June 30, 2023 (FY 2023). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity

Highline College is one of thirty-four public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 13,000 students annually. The college confers baccalaureate degrees, associate's degrees, certificates and high school diplomas. The College was established in 1961 and its primary purpose is striving for social justice, partnering with global students as they envision, plan and achieve their educational and professional goals.

Highline's main campus is located in Des Moines, Washington on an 80-acre wooded site, 20 minutes south of downtown Seattle. Classes are also offered at the Marine Science and Technology (MaST) Center at Redondo Beach, The Hub in Federal Way and additional locations in the community. The College is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. In accordance with Washington State law governing technical colleges, the College's board includes one member from business and one member from labor. In addition, the college has a Governor-appointed student trustee who is prohibited from voting on personnel or collective bargaining matters. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the college and its discretely presented component unit, the Highline College Foundation. The College's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the college as of June 30, 2023. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are reported under the accrual basis of accounting where all of the current year's revenues and expenses are taken into account regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental

Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Statement of Net Position

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

Highline College
Condensed Statement of Net Position
As of June 30, 2023

	2023	2022
Assets		
Current Assets	$ 52,482,358	$ 42,883,107
Capital Assets, net	69,782,312	72,743,304
Other Assets, non-current	10,568,072	20,559,357
Total Assets	132,832,742	136,185,768
Deferred Outflows of Resources	10,279,349	8,665,465
Liabilities		
Current Liabilities	11,178,250	12,386,522
Other Liabilities, non-current	28,540,156	38,265,307
Total Liabilities	39,718,406	50,651,829
Deferred Inflows of Resources	23,522,848	21,160,732
Net Position		
Net Investment in Capital Assets	67,291,316	68,927,137
Restricted	2,580,314	3,150,865
Unrestricted	9,999,206	960,671
Total Net Position	79,870,836	73,038,673

Current assets consist primarily of cash and cash equivalents, short-term investments, accounts receivables and inventories. The decrease in other liabilities is the reduction of OPEB net pension liability.

Net capital assets decreased by approximately $2,552,000 from FY 2022 to 2023 with the small investment made by the college in capital assets being offset by the annual depreciation recorded in the amount of $2,831,061.

Non-current assets consist of the long-term portion of certain investments. The college intends to hold the bonds to maturity.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits related to GASB Statement No. 68 and Statement No. 75. Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated related to GASB Statement No. 68 and Statement No. 75. Deferred outflows are also related to asset retirement obligations. The increase/decrease in deferred outflows reflect the College's proportionate share of an increase/decrease in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded $8,665,465 in FY 2022 and $10,279,349 in FY2023 of pension and postemployment-related deferred outflows. The increase reflects the change in proportionate share.

Similarly, the increase in deferred inflows in 2023 reflects the increase in the difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements.

The decrease in current liabilities from FY 2022 to FY 2023 comes from a recognized decreased in payables to employees payroll and the reduction of the COP payment for the Student Union Building.

There was an increase in unearned revenue as summer and fall enrollment was stronger than the previous year.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation debt. The College's non-current liabilities decreased reflecting a change in the College's proportionate share of the postemployment benefit liability for state's OPEB, in addition the current year principal reduction on the Certificate of Participation. Changes in non-current liabilities also include fluctuations in employee vacation and sick leave balances. Right-to-use lease liability decreased due to payments made during the year.

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

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

Restricted:

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

Expendable **–** resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The college has a balance of $522,528 in funds restricted for qualified financial aid expenditures.

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

Net Position As of June 30th	**FY 2023**	**FY 2022**
Net investment in capital assets	$ 67,291,316	$ 68,927,137
Restricted		
Expendable	$ 2,580,314	$ 3,150,865
Unrestricted	$ 9,999,206	$ 960,671
Total Net position	$ 79,870,836	$ 73,038,673

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position accounts for the College's changes in total net position during FY 2023. The objective of the statement is to present the revenues earned, both operating and non-operating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains and losses of the College.

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

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

A condensed comparison of the College's revenues, expense and changes in net position for the years ended June 30, 2023 and 2022 follows.

Highline College
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023 and 2022

Operating Revenues	**2023**	**2022**
Student tuition and fees, net	9,700,304	9,793,241
Auxiliary enterprise sales	1,476,072	1,036,749
Grants and contracts	24,391,244	19,727,451
Other operating revenues	853,676	676,042
Total operating revenues	**36,421,296**	**31,233,483**
Non-Operating Revenues		
State appropriations	41,733,664	38,096,977
Federal Pell grant revenue	7,144,498	2,845,336
Federal non-operating revenue	1,304,076	12,483,306
Other non-operating revenues	976,598	-
Total non-operating revenues	51,158,837	53,425,619
Total revenues	**87,580,132**	**84,659,102**
Operating Expenses		
Salaries and Benefits	60,845,064	54,414,494
Scholarships	3,610,047	11,699,945
Depreciation and amortization	3,052,634	3,181,929
Other operating expenses	15,784,366	14,929,603
Total operating expenses	**83,292,111**	**84,225,971**
Non-Operating Expenses		
Building fee remittance	1,587,781	1,300,999
Other non-operating expenses	63,483	934,283
Total non-operating expenses	**1,651,264**	**2,235,282**
Total expenses	84,943,375	86,461,253
Excess (deficiency) before capital contributions	**2,636,757**	**(1,802,151)**
Capital appropriations and contributions	**4,195,406**	**708,039**
Change in Net position	**6,832,163**	**(1,094,112)**
Net Position		
Net position, beginning of year	73,038,673	74,130,244
Prior period adjustments or Cumulative effect of a change in accounting principle		2,541
Net position, beginning of year, as restated	73,038,673	74,132,785
Net position, end of year	**79,870,836**	**73,038,673**

Revenues

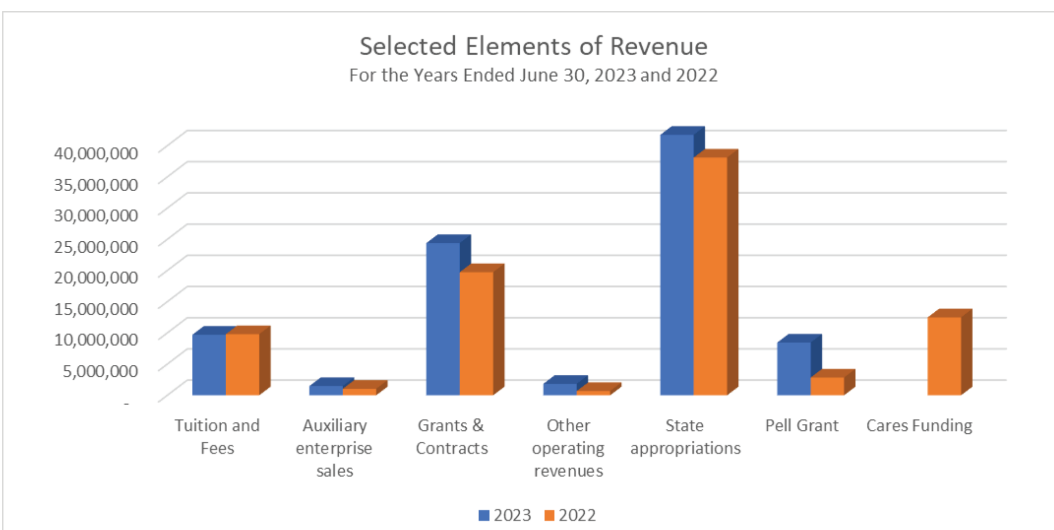
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college.

Enrollment has slightly increased FY 2023, continuing to stay below pre-COVID 19 levels. For fiscal year 2023, the College increased some fees, resulting in only small changes in these revenues. Pell grant revenues generally follow enrollment trends. As the College's enrollment slightly increased during FY23, so did the College's Pell Grant revenue. In FY 2022 students relied heavily on covid relief versus traditional federal assistance. In FY 2023 the covid relief funding was fully expended so students reverted to traditional funding methods. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law.

In FY 2023, grant and contract revenues increased by approximately $3,300,000 when compared with FY 2022. The College continued to serve students under the terms of contracted programs. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College also serves contracted international students who are not supported by state dollars.

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

The chart below shows the revenue categories for FY 2023 and FY 2022 for comparison.



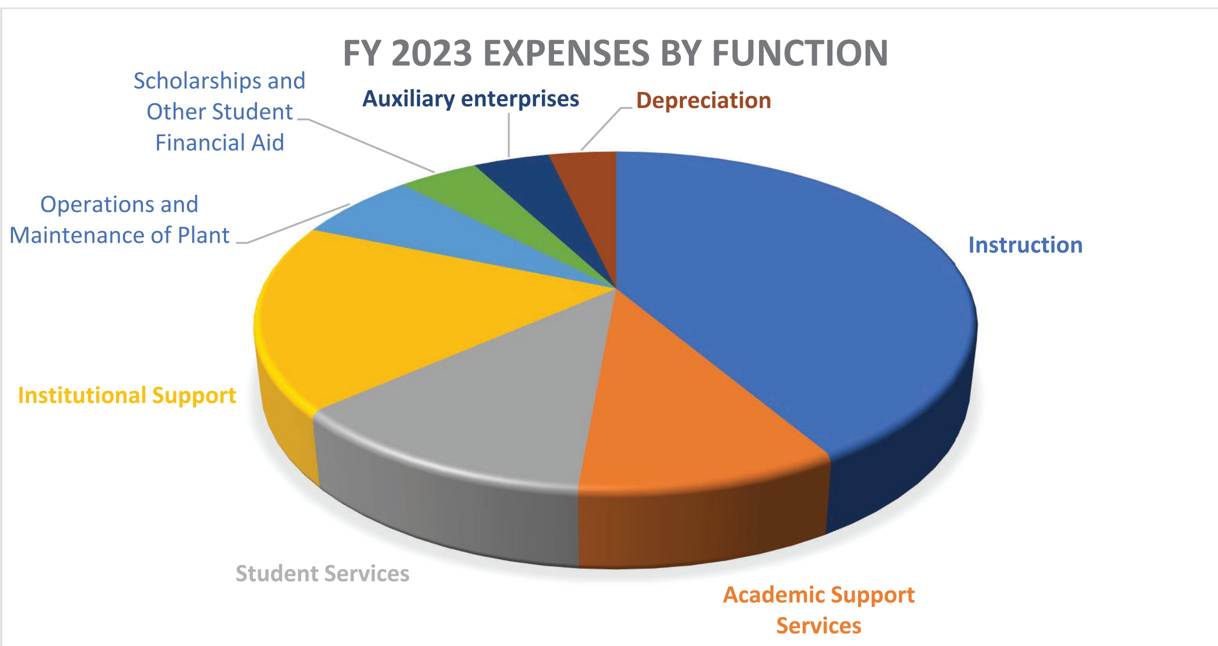
Expenses

Faced with budget cuts in the past, the College has continuously sought opportunities to identify savings and efficiencies. Over time, the College decreased spending, reduced services and was subject to various state spending freezes, including employee salary reductions.

In FY 2023, salary costs increased due to increased wage percentages for staff and faculty set by the state. Benefits increased due to the adjustments from pension and OPEB activity.

Utility costs have increased as a result of rate increases for electricity and natural gas. Staff and faculty are back on campus. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs. These fluctuations are to be expected. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service. All other costs are reported as operating expenses.

Operating Expenses by Function
The chart below shows the percentage of each functional area of operating expenses for FY 2023.



Capital Assets and Long-Term Debt Activities

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

At June 30, 2023, the College had invested $67,834,347 in capital assets, net of accumulated depreciation. This represents a decrease of $2,552,456 from last year, as shown in the following table.

Asset Type	June 30, 2023	June 30, 2022	Change
Land	$48,289	$48,289	$0
Buildings, net	$66,666,834	$68,899,415	-$2,232,581
Equipment, net	$1,026,032	$1,271,075	-$245,043
Library Resources, net	$93,192	$168,024	-$74,832
Total Capital Assets, Net	**$67,834,347**	**$70,386,803**	**-$2,552,456**

Capital purchases were minimal in FY 2023 and the decrease in capital assets was due to normal depreciation. Additional information on capital assets can be found in note 7 of the notes to the financial statements.

At June 30, 2023, the College had $2,490,996 in outstanding liabilities. The College has a Certificate of Participation (COP) for the Student Union Building and a COP that reimbursed the college for costs related to the renovation of building 24A. The college implemented GASB 87, Leases in FY22.

	June 30, 2023	June 30, 2022	Change
Certificates of Participation	$ 484,908	$ 1,436,329	$ (951,421)
Total	**$ 484,908**	**$ 1,436,329**	**$ (951,421)**

Additional information of notes payable, long-term debt and debt service schedules can be found in Notes 12, 13 and 14 of the Notes to the Financial Statements.

Economic Factors That May Affect the Future

In FY 2017, the State Board for Community and Technical Colleges elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. The new funding model has provided additional resources to Highline College.

Highline College is located in a community rich in cultural diversity and our student body reflects that population. The College is active in providing service to adults seeking basic education and English as a second language classes, which do not lend themselves well to online education. Between the new format and the political unrest that continues to dominate the news, there has been a significant decline in our Basic Education for Adults (BEdA) enrollments. While these classes are waivered so this population does not pay tuition, they factor heavily into the allocation model used to distribute funding to the College.

As the College continues to be affected by the results of the COVID-19 pandemic, a significant decrease in enrollments was experienced. While historically colleges have seen an increase in enrollments in times of higher unemployment, the college is slowly seeing an uptick in enrollment. In anticipation of upcoming budget reductions at the state level, the College continues to look closely at optimization of budget utilization and ways to innovate instruction to better serve and attract more students.

Forecasts for the US and State economy are pointing to an increase in economic activity. 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. Despite higher interest rates, inflation increases, and higher costs for energy and petroleum products, overall outlook on consumer finances are increasing over the near-term forecast horizon.

Highline College	
Statement of Net Position	
June 30, 2023	
Assets	
Current Assets	
Cash and cash equivalents	$ 34,351,633
Restricted cash	662,199
Short-term investments	3,411,764
Accounts Receivable	13,508,198
Lease Receivable, current portion	241,470
Interest receivable	110
Inventories	306,984
Total current assets	52,482,358
Non-Current Assets	
Long-term investments	6,911,960
Long-term lease receivable	288,281
Non-depreciable capital assets	48,289
Capital assets, net of depreciation	67,786,058
Leases, net of amortization	1,947,965
Net pension asset	3,367,831
Total non-current assets	80,350,384
Total assets	132,832,742
Deferred Outflows of Resources	
Deferred outflows related to pensions	7,375,767
Deferred outflows related to OPEB	2,903,582
Total deferred outflows of resources	10,279,349
Liabilities	
Current Liabilities	
Accounts payable	2,544,665
Accrued liabilities	3,470,977
Compensated absences, current portion	1,857,161
Deposits payable	15,704
Unearned revenue	2,123,678
Leases, current portion	391,393
Certificates of participation payable, current portion	158,228
Net pension liability, current portion	150,722
Total OPEB liability, current portion	465,724
Total current liabilities	11,178,250
Non-Current Liabilities	
Compensated absences	3,946,332
Leases	1,614,695
Certificates of participation	326,680
Net pension liability	4,665,183
Total OPEB liability	17,987,266
Total non-current liabilities	28,540,156
Total liabilities	39,718,406

The accompanying notes are an integral part of this statement

Deferred Inflows of Resources	
Deferred inflows on leases receivable	524,125
Deferred inflows related to pensions	6,906,640
Deferred inflows related to OPEB	16,092,083
Total deferred inflows of resources	23,522,848
Net Position	
Net Investment in Capital Assets	67,291,316
Restricted for:	
Pension Asset	2,057,786
Expendable	522,528
Unrestricted (deficit)	9,999,206
Total Net Position	79,870,836

The accompanying notes are an integral part of this statement

Highline College	
Statement of Revenues, Expenses and Changes in Net Position	
For the Year Ended June 30, 2023	
Operating Revenues	
Student tuition and fees, net of scholarship discounts and allowances	$ 9,700,304
Auxiliary enterprise sales	1,476,072
State and local grants and contracts	19,900,674
Federal grants and contracts	4,490,570
Other Operating revenues	853,676
Total operating revenue	36,421,296
Operating Expenses	
Salaries and wages	47,103,436
Benefits	13,741,628
Scholarships and fellowships	3,610,047
Supplies and materials	1,015,905
Depreciation and amortization	3,052,634
Purchased services	6,478,396
Software Maintenance	1,532,608
Repairs and Maintenance	443,502
Utilities	1,012,702
Other operating expenses	5,301,253
Total operating expenses	83,292,111
Operating income (loss)	(46,870,815)
Non-Operating Revenues (Expenses)	
State appropriations	41,733,664
Federal Pell grant revenue	7,144,498
Federal non-operating revenue	1,304,076
Investment income, gains and losses	976,598
Building fee remittance	(1,282,032)
Innovation fund remittance	(305,749)
Interest on indebtedness	(63,483)
Net non-operating revenue (expenses)	49,507,572
Income or (loss) before other revenues, expenses, gains or losses	2,636,757
Capital Contributions	
Capital appropriations	4,195,406
Increase (Decrease) in net position	6,832,163
Net position	
Net position, beginning of year	73,038,673
Net position, end of year	$ 79,870,836

The accompanying notes are an integral part of this statement

Highline College
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flows from operating activities	2023
Student tuition and fees	$ 9,720,773
Grants and contracts	21,466,444
Payments to vendors	(7,888,308)
Payments for utilities	(987,491)
Payments to employees	(48,200,121)
Payments for benefits	(14,894,578)
Auxiliary enterprise sales	1,923,403
Payments for scholarships and fellowships	(3,610,047)
Other receipts	224,073
Other payments	(6,804,556)
Net cash used by operating activities	(49,050,408)
Cash flows from noncapital financing activities	
State appropriations	42,025,174
Pell grants	7,144,498
Amounts for other than capital purposes	1,304,076
Building fee remittance	(1,344,357)
Innovation fund remittance	(305,749)
Principal paid on noncapital debt and leases	408,535
Net cash provided by noncapital financing activities	49,232,177
Cash flows from capital and related financing activities	
Capital appropriations	5,040,460
Purchases of capital assets	(278,604)
Principal paid on capital debt	(1,325,171)
Interest paid	(63,483)
Net cash used by capital and related financing activities	3,373,202
Cash flows from investing activities	
Income of investments	1,040,775
Net cash provided by investing activities	1,040,775
Increase in cash and cash equivalents	4,595,746
Cash and cash equivalents at the beginning of the year	30,418,086
Cash and cash equivalents at the end of the year	35,013,832

The accompanying notes are an integral part of this statement

Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(46,870,815)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation and amortization expense	3,052,634
Changes in assets and liabilities	
Receivables, net	(2,482,875)
Lease Receivables, net	(529,751)
Inventories	14,700
Accounts payable	556,613
Accrued liabilities	(921,363)
Unearned revenue	(73,979)
Compensated absences	427,355
Pension and OPEB liability adjustment	(2,222,926)
Net cash used by operating activities	$ (49,050,408)

The accompanying notes are an integral part of this statement

HIGHLINE COLLEGE FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS	2023
Current Assets	
Cash and cash equivalents	$ 619,894
Current portion of grants receivable	31,000
Due from Highline College	75,000
Tenant receivables, net	250,892
Prepaid expenses	6,323
Total current assets	983,109
Noncurrent Assets	
Investments	6,141,460
Grants receivable, net of current portion	93,000
Deposits	84,082
Property and Equipment, net	910,592
Operationg lease asset	6,767,119
Total Noncurrent Assets	13,996,253
Total assets	$ 14,979,362
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	$ 54,110
Unearned rent revenue	151,848
Rent Payable	
Current portion of leasehold improvements payable	93,100
Current portion of operating lease liabilities	1,663,520
Total current liabilities	1,962,578
Leasehold improvements payable, net of current portion	703,617
Operating lease liabilities, net of current portion	6,278,744
Total liabilities	8,944,939
Net Assets	
Without donor restrictions	(1,036,740)
With donor restrictions	7,071,163
Total net assets	6,034,423
Total liabilities and net assets	$ 14,979,362

The accompanying notes are an integral part of this statement

HIGHLINE COLLEGE FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	$ 100,964	$ 1,689,731	$ 1,790,695
In-kind contributions	169,246		169,246
Rental income	1,948,564		1,948,564
Net investment return (loss)	399,127	134,002	533,129
Net assets released from restrictions	1,430,689	(1,430,689)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	4,048,590	393,044	4,441,634
Expenses			
Scholarships and student assistance	701,802		701,802
College program support	729,064		729,064
College housing	2,080,222		2,080,222
Other program expenses	19,047		19,047
Total program services	3,530,135	-	3,530,135
Administration	617,116		617,116
Fundraising	46,897		46,897
Total supporting services	664,013	-	664,013
TOTAL EXPENSES	4,194,149	-	4,194,149
Change in net assets	(145,559)	393,044	247,485
Net Assets, beginning of year (deficit)	(891,181)	6,678,119	5,786,938
Net Assets, end of year (deficit)	$ (1,036,740)	$ 7,071,163	$ 6,034,423

The accompanying notes are an integral part of this statement

Notes to the Financial Statements
June 30, 2023
These notes form an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

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

The Highline College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1972 and recognized as a tax-exempt 501(c) (3) charity. The Foundation's charitable purpose is to raise funds that help provide quality education at Highline College. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the college or its students, the Foundation is considered a discrete component unit.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2023, the Foundation distributed approximately $1,449,913 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Foundation's Administrative Offices at (206) 592-3774.

Basis of Presentation

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

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

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

The preparation of financial statements in conformity with 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.

Cash, Cash Equivalents and Investments
Cash, cash equivalents and investments include cash on hand, bank demand deposits, deposits with the Washington State Local Government Investment Pool (LGIP) and publicly traded bonds. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP.

The College combines unrestricted cash operating funds from all departments into an internal pool, the income from which is allocated for general operating needs of the College through the college's annual budget development process.

Investments consist of investments in US government securities. These investments are subject to loss of all 100% of the balance of investments and are reported at fair value.

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

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

Capital Assets
In accordance with state law, capital assets constructed with state funds are owned by the State of Washington. Property titles are shown accordingly. However, responsibility for managing the

assets rests with the College. As a result, the assets are included in the financial statements because excluding them would have been misleading.

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

Right-to-use lease assets are recorded at the initial measurement of the lease liability, plus lease payment made at/or before the commencement of the lease term, less any incentives received from the lessor at/or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2023, no assets had been written down.

Unearned Revenues

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

Tax Exemption

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

Pension Liability

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

The College also reports its share of the net pension liability for the State Board Retirement Plan in accordance with GASB 68 Accounting and Financial Reporting for Pensions and Related Assets.

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

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

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

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

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

Net Position
The College's net position is classified as follows.

- Net Investment in Capital Assets. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- Restricted for Expendable. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties, including

pension assets and student funds. The restricted net position is equal to the net pension asset, less its related deferred outflows plus the related deferred inflows.

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

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

Classification of Revenues and Expenses
The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

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

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

Non-operating Revenues. This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government. In FY 23, non-operating revenues also included funds received through the federal CARES act.

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

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees, and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2023 are $8,493,218.

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

Building and Innovation Fee Remittance
Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature 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. On a monthly basis, the College remits the portion of tuition collected for the Building Fee. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement a new ERP software across the entire system. On a monthly basis, the College remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

Note 2 – Deposits and Investments

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

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

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

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

As of June 30, 2023, the carrying amount of the College's cash and equivalents was $35,013,832 as represented in the table below:

Cash and Cash Equivalents	**June 30, 2023**
Petty Cash and Change Funds	$9,619
Bank Demand and Time Deposits	$2,970,319
Local Government Investment Pool	$32,033,894
Total Cash and Cash Equivalents	**$35,013,832**

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

Investments
Investments consist of U.S. Treasury and Agency securities, investments in equities and bond funds. Time certificates of deposit have re-purchase agreements with the respective financial institutions; investments in equities are subject to loss of all 100% of the balance of investments.

Fair value measurement is based on the assumptions that market participants would use in pricing the asset. The three levels of the fair value hierarchy are described as:

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

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

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

The following table summarizes the investment reported at fair value within the fair value hierarchy as of June 30, 2023.

Fixed or variable income securities	Total	Level 1	Level 2	Level 3
Bonds	$ 10,323,724	$ 10,323,724	$ -	$ -

The maturities of the College's investments in US government securities at June 30, 2023, are as follows:

Investment Maturities	Fair Value	1 - 4 Years
Treasury Obligations	$ 1,446,211	$ 1,446,211
US Government Securities	$ 8,877,513	$ 8,877,513
Total Investments	**$ 10,323,724**	**$ 10,323,724**

Interest Rate Risk—Investments
The College manages its exposure to interest rate changes by limiting the duration of investments' maturities. The College has not invested in maturities longer than 5 years, to minimize interest rate risk.

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

Custodial Credit Risk—Investments
Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2023, $10,323,725 of the College's operating fund investments, held by US Bank in the bank's name as agent for the College, are exposed to custodial credit risk.

Investments Exposed to Custodial Risk	Fair Value
FEDERAL HOME LOAN BANK	$ 7,498,005
FEDERAL FARM CREDIT BANK	$ 1,379,508
U.S. TREASURY NOTES	$ 1,446,211
Total Investments Exposed to Custodial Risk	**$ 10,323,724**

Investment Expenses
Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2023 were $449.

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 expenses made according to sponsored agreements. At June 30, 2023, accounts receivable were as follows:

Accounts Receivable	Amount
Student Tuition and Fees	$ 111,408
Due from the Federal Government	$ 2,424,504
Due from Other State Agencies	$ 7,367,099
Due from Local Government Agencies	$ 3,632,439
Interest receivable	$ 110
Subtotal	$ 13,535,560
Less Allowance for Uncollectible Accounts	$ (27,362)
Accounts Receivable, net	$ 13,508,198

Note 4 - Leases Receivable

The College leases a portion of its property/equipment/buildings to various third parties, the terms of which expire in August 2025. Payments are constant based on the individual contract terms and conditions. Leases receivable are reported net of amortization on the Statement of Net Position. Variable payments are calculated based on utilities/number of clicks/some other basis. Revenue recognized under these lease agreements during the year ended June 30, 2023 was as follows:

As of June 30	Lease Revenue	Interest Revenue	Variable Payments
2024	241,470	1,049	242,519
2025	246,930	439	247,369
2026	41,350	13	41,363
Total minimum lease payments	$ 529,751	$ 1,500	$ 531,251
Childrens Home Society	Term is through August 2025		

Note 5 - Inventories

All inventory is merchandise inventory owned by the college Bookstore. The college has no consumable, work in progress or raw materials inventories. Inventories, stated at cost using FIFO, consisted of the following as of June 30, 2023:

Inventories	Amount
Merchandise Inventories	$ 306,984
Inventories	**$ 306,984**

Note 6 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2023 is presented as follows. The current year depreciation expense was $2,831,061.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	$ 48,289	$ -	$ -	$ 48,289
	-	-	-	-
Total capital assets, non-depreciable	48,289	-	-	48,289
Capital assets, depreciable				
Buildings	113,828,657	-	-	113,828,657
Other improvements and infrastructure	-	-	-	-
Equipment	10,340,147	255,853	(109,947)	10,486,053
Library resources	3,859,867	22,752	(2,927,371)	955,248
Total capital assets, depreciable	128,028,671	278,605	(3,037,318)	125,269,958
Less accumulated depreciation				
Buildings	44,929,242	2,232,581		47,161,823
Other improvements and infrastructure	-			-
Equipment	9,069,072	500,896	(109,947)	9,460,021
Library resources	3,691,843	97,584	(2,927,371)	862,056
Total accumulated depreciation	57,690,157	2,831,061	(3,037,318)	57,483,900
Total capital assets, depreciable, net	70,338,514	(2,552,456)	-	67,786,058
Capital assets, net	**$ 70,386,803**	**$ (2,552,456)**	**$ -**	**$ 67,834,347**

Lease assets as of June 30, 2023 and lease asset activity for the year ended June 30, 2023 are summarized below:

Lease Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Leased Buildings	$ 2,924,470		$ -	$ 2,924,470
Total Lease assets	$ 2,924,470	$ -	$ -	$ 2,924,470
Less accumulated amortization				
Accum. Amort. Leased Bldgs	$ 567,970	$ 408,535	-	$ 976,505
Total accumulated amortization	$ 567,970	$ 408,535	$ -	$ 976,505
Lease assets, net	$ 2,356,500	$ (408,535)	$ -	$ 1,947,965

Note 7 - Accounts Payable and Accrued Liabilities
Accrued liabilities as of June 30, 2023, were as follows:

Accounts Payable and Accrued Liabilities	Amount	
Accounts Payable	$	2,544,665
Agency Funds and Other Accrued Liabilities	$	3,399,424
Amounts Held for Others and Retainage	$	71,553
Total	**$**	**6,015,642**

Note 8 - Unearned Revenue
Unearned revenue is comprised of receipts which have not yet met revenue recognition criteria, as follows:

Unearned Revenue	Amount	
Summer and Fall Quarter Tuition & Fees	$	2,123,678
Total Unearned Revenue	$	2,123,678

Note 9 - Risk Management
The College is exposed to various risk of loss related to tort liability, injuries to employees, errors and omissions, theft of, damage to, and destruction of assets, and natural disasters. The college purchases insurance to mitigate these risks. Management believes that such coverage is sufficient to preclude any significant uninsured losses for the covered risks.

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

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. Payments made for claims from July 1, 2022 through June 30, 2023 were $180,344.

Note 10 - Compensated Absences
At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The accrued vacation leave totaled $3,237,469 and accrued sick leave totaled $2,565,650 at June 30, 2023.

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

Note 11 - Leases Payable
Right-to-Use Lease Liabilities

The College leases buildings from various external entities. The College adopted GASB Statement No. 87 and recorded lease liabilities of $2,379,838 as of July 1, 2023. The lease liabilities are reported at net present value using the State of Washington's incremental borrowing rate unless otherwise noted in the contract term.

Highline College leases "The Hub" as instructional space in Federal Way, Washington. This is a ten-year lease April 1, 2021 through March 31, 2031 with the option for a five-year extension. The space is shared with the University of Washington, Tacoma to provide academic programing to the community.

Highline also leases office and classroom space on the ground floor of Highline Place, a student housing and retail building adjacent to the College. This is a five-year lease from October 1, 2020 to September 30, 2025, with an option to renew for an additional five years.

As of June 30, 2023, the minimum lease payments under these right-to-use leases consist of the following:

As of June 30	Principal	Interest	Total
2024	391,393	16,260	407,653
2025	394,890	12,763	407,653
2026	219,923	9,763	229,686
2027	191,031	8,131	199,162
2028-2032	808,851	15,086	823,937
Total minimum lease payments	$ 2,006,088	$ 62,003	$ 2,068,091

Note 12 - Notes Payable

In September 2015, the College obtained financing for the renovations of maintenance building 24A through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $1,487,672. The interest rate charged is approximately 2.35%. The rental income from the childcare center located in building 1 is used to pay the principal and interest for this obligation.

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

Note 13 - Annual Debt Service Requirements

Future debt service requirements at June 30, 2023 are as follows:

Annual Debt Service Requirements			
Certificates of Participation			
Fiscal year	**Principal**	**Interest**	**Total**
2024	158,228	9,553	$ 167,781
2025	159,998	7,127	$ 167,125
2026	166,682	2,443	$ 169,125
Total	**$ 484,908**	**$ 19,123**	**$ 504,031**

Note 14 - Schedule of Long-Term Liabilities

	Balance outstanding 6/30/22	**Additions**	**Reductions**	**Balance outstanding 6/30/23**	**Current portion**
Certificates of Participation	**$ 1,436,329**		**$ 951,421**	**$ 484,908**	**$ 158,228**
Compensated absences	**$ 5,376,138**	**2,614,782**	**2,187,427**	**$ 5,803,493**	**1,857,161**
Right-to-use leases	**$ 2,379,838**		**373,750**	**$ 2,006,088**	**391,393**
Net pension liability	**$ 4,004,635**	**811,270**		**$ 4,815,905**	**150,722**
Total OPEB liability	**$ 28,798,810**		**10,345,820**	**$ 18,452,990**	**465,724**
Total	**$ 41,995,750**	**$ 3,426,052**	**$ 13,858,418**	**$ 31,563,384**	**$ 3,023,228**

Note 15 - Retirement Plans
A. General
The College offers three contributory pension plans: the Washington State Public Employees Retirement System (PERS), the Washington State Teachers Retirement System (TRS), and the State Board Retirement Plan (SBRP). PERS and TRS are cost sharing multiple employer defined benefit pension plans administered by the State of Washington Department of Retirement Systems (DRS). The State Board Retirement Plan (SBRP) is a defined contribution single employer pension plan with a supplemental payment when required. The SBRP is administered by the State Board for Community and Technical Colleges (SBCTC) and available to faculty, exempt administrative and professional staff of the state's public community and technical colleges. The College reports its proportionate share of the net pension liability as it is a part of the community and technical college system.

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

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for Highline College, for fiscal year 2023:

Aggregate Pension Amounts - All Plans

Net Pension Assets	$	3,367,831
Net Pension Liabilities	$	4,815,905
Deferred outflows of resources related to pensions	$	7,375,767
Deferred inflows of resources related to pensions	$	6,906,640
Pension Expense	$	(74,755)

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

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

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

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

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

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

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

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

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

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.
PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

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

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

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

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

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

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

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

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

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

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

TRS

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

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

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

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

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

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

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

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

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

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

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

The employer contribution rates (expressed as a percentage of covered payroll) and actual contributions for the year ended June 30, 2023 were as follows:

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rates at close of FY22	10.39%	10.39%	14.69%	14.69%
Actual Contributions	$ 463,342	$ 766,485	$ 166,868	$ 208,819

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

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

Inflation	2.75%

Salary increases	3.25%
Investment rate of return	7.00%

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the *2013-2018 Demographic Experience Study Report and the 2019 Economic Experience Study.* Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report.

The Office of the State Actuary (OSA) selected a 7.00 percent long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the WSIB.

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
Total	**100%**	

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

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

Discount Rate
The discount rate used to measure the total pension liability was 7.00 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 and TRS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate
The following table presents the net pension liability of the College calculated using the discount rate of 7.00 percent, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

	1% Decrease	Rate	1% Increase
Pension Plan	(6.00%)	(7.00%)	(8.00%)
PERS Plan 1	$ 2,584,533	$ 1,934,550	$ 1,367,268
PERS Plan 2/3	$ 3,901,162	$ (3,312,720)	$ (9,239,380)
TRS Plan 1	$ 706,119	$ 520,017	$ 357,341
TRS Plan 2/3	$ 998,414	$ (55,110)	$ (911,610)

Pension Liabilities/(Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
Pension Liabilities/(Assets). At June 30, 2023, the College reported a net pension (asset) of $(913,263) for its proportionate share of the net pension liabilities/(assets) as follows:

	Liability/(Asset)
PERS 1	$ 1,934,550
PERS 2/3	(3,312,722)
TRS 1	520,018
TRS 2/3	(55,109)
Total	$ (913,263)

The College's proportionate share of pension liabilities/(assets) for fiscal years ending June 30, 2021 and June 30, 2022 for each retirement plan are listed below:

	2021	2022	Change
PERS 1	0.074798%	0.069479%	-0.005319%
PERS 2/3	0.093838%	0.089321%	-0.004517%
TRS 1	0.029888%	0.027343%	-0.002545%
TRS 2/3	0.029965%	0.028005%	-0.001960%

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

Pension Expense. For the year ended June 30, 2023 the College recognized pension expense as follows:

	Pension Expense
PERS 1	$ 747,667
PERS 2/3	(1,010,768)
TRS 1	249,633
TRS 2/3	(2,760)
Total	$ (16,228)

Deferred Outflows of Resources and Deferred Inflows of Resources. The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position, for the year ended June 30, 2023:

	PERS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	320,612
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	463,342	-
Totals	**$ 463,342**	**$ 320,612**

	PERS 2/3	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	820,815	74,991
Difference between expected and actual earnings of pension plan investments	-	2,449,119
Changes of assumptions	1,846,384	483,449
Changes in College's proportionate share of pension liabilities	346,765	7,859
Contributions subsequent to the measurement date	766,485	-
Totals	**$ 3,780,449**	**$ 3,015,418**

	TRS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	93,181
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	166,868	-
Totals	**$ 166,868**	**$ 93,181**

	TRS 2/3	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	274,591	5,538
Difference between expected and actual earnings of pension plan investments	-	291,480
Changes of assumptions	310,467	33,766
Changes in College's proportionate share of pension liabilities	112,374	31,053
Contributions subsequent to the measurement date	208,819	-
Totals	**$ 906,251**	**$ 361,837**

The $1,605,513 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2023.

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

Year ended June 30	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2024	$ (135,676)	$ (668,026)	$ (39,507)	$ (42,297)
2025	$ (123,229)	$ (581,348)	$ (35,919)	$ (30,014)
2026	$ (154,587)	$ (742,354)	$ (45,175)	$ (55,804)
2027	$ 92,881	$ 1,180,150	$ 27,420	$ 175,891
2028	$ -	$ 415,476	$ -	$ 74,309
Thereafter	$ -	$ 394,645	$ -	$ 213,929
Total	$ (320,611)	$ (1,457)	$ (93,181)	$ 336,014

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

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

Plan Description.

The State Board Retirement Plan is a privately administered single-employer defined contribution 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. Highline College participates in this plan as authorized by chapter 28B.10 RCW and reports its proportionate share of the net pension liability. House Bill 1661, effective fiscal year 2021, created separate Supplemental Retirement Plan (SRP) funds by institution that met the definition of a trust or equivalent arrangement. As a result, this plan will be reported under GASB Statement No. 67/68 since FY21. Prior to that, the SRP was reported under GASB Statement No. 73.

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

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

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

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

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2023, with the results rolled forward to the June 30, 2023, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases 3.50%-4.00%
Fixed Income and Variable Income Investment Returns* N/A
**Measurement reflects actual investment returns through June 30, 2020*

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

Most actuarial assumptions used in the January 1, 2023 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. Changes in methods and assumptions that occurred between the measurement of the June 30,2022 NPL and the June 30, 2023 NPL are as follows:

- The valuation date was changed from June 30 to January 1. This corresponds with the new data file being provided with participant information as of January 1, 2023.
- OSA updated annuity conversion assumptions for the TIAA investments based on input from TIAA and professional judgment. TIAA contributions and investment earnings annuity conversion changed from contributions made pre-2002/post-2001 converted at 6.00 percent/3.25 percent to contributions pre-2006/post-2005 converted at 7.00/4.00 percent

Discount Rate. The discount rate used to measure the total pension liability was based on the *2021Economic experience study* for the Washington State retirement plans and based on the results of the GASB 67/68 required crossover test, or 7.0 percent for the June 30, 2023, measurement date.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employer and employee contributions for the year ended June 30, 2023 was as follows:

	SBRP Contributions	
Employer	$	2,459,405
Employee	$	2,458,911
Total	$	4,918,316

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

Total pension expense for the fiscal year ending June 30, 2023 was ($58,528).

Plan Membership
Membership in the State Board Supplemental Retirement Plans consisted of the following as of January 1, 2023, the most recent full actuarial valuation date.

Number of Participating Members				
Plan	**Inactive Members or Beneficiaries Currently Receiving Benefits**	**Inactive Members Entitled to But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
Highline College	**19**	**7**	**190**	**216**

Net Pension Liability/(Asset).
The following table presents the change in net/(asset) of the State Board Supplemental Retirement Plan as of June 30, 2023:

Highline College	
Schedule of Development of Net Pension Liability	
	2023
Total Pension Liability	
Service Cost	86,024
Interest	310,588
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(249,625)
Changes in Assumptions	(494,324)
Benefit Payments	(130,366)
Change in Proportionate Share of NPL	88,753
Other	-
Net Change in Total Pension Liability	(388,950)
Total Pension Liability - Beginning	4,283,478
Total Pension Liability - Ending (a)	**3,894,528**
Plan Fiduciary Net Position	
Contributions - Employer	37,366
Contributions - Member	-
Net Investment Income	102,307
Benefit Payments	-
Administrative Expense	-
Other	(7)
Net Change in Plan Fiduciary Net Position	139,666
Plan Fiduciary Net Position-Beginning	1,393,524
Plan Fiducairy Net Position-Ending (b)	**1,533,190**
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)	**2,361,338**

Sensitivity of the Total Pension Liability to Changes in the Discount Rate
The following table presents the net pension liability/(asset), calculated using the discount rate of 7.0 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$ 2,798,202	$ 2,361,337	$ 1,986,551

Deferred Outflows and Inflows of Resources Related to Pensions
At June 30, 2023, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Difference Between Expected and Actual Experience	$	926,406	$	1,152,994
Changes of Assumptions		792,139	$	1,816,762
Changes in College's proportionate share of pension liability		267,982	$	33,550
Differences beteween Projected and Actual Earnings on Plan Investments		61,491		112,284
Total	**$**	**2,048,018**	**$**	**3,115,590**

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

State Board Supplemental Retirement Plan	
2024	(281,893.00)
2025	(174,754.00)
2026	(186,377.00)
2027	(427,679.00)
2028	51,266.00
Thereafter	(48,153.47)

Note 16 - Other Post-Employment Benefits

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

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

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

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

Summary of Plan Participants
As of June 30, 2022

Active Employees*	557
Retirees Receiving Benefits**	169
Retirees Not Receiving Benefits***	N/A
Total Active Employees and Retirees	726

*Reflects active employees eligible for PEBB program participation as of June 30, 2022.
**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.
***HCA doesn't have data on this group and OSA doesn't have the methodology to reasonably estimate it. For fiscal year 2023, we have no options, but to report this amount as not available.

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

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2023 the explicit subsidy was $183 per member per month and it will remain $183 per member per month in calendar year 2024.

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

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

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

Required Premium*		
Medical	$	1,251
Dental		81
Life		4
Long-term Disability		2
Total		1,338
Employer contribution		1,156
Employee contribution		182
Total	$	1,338

*Per 2022 PEBB Financial Projection Model version 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2023 which includes projected claims cost at the time of this reporting.

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

Total OPEB Liability

As of June 30, 2023, the state reported a total OPEB liability of $4.24 billion. The College's proportionate share of the total OPEB liability is $18,452,990. This liability was determined based on a measurement date of June 30, 2022.

Actuarial Assumptions. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.35%
Projected Salary Changes	3.25% Plus Service-Based Salary Increases
Health Care Trend Rates*	Initial trend rate ranges from 2-11%, reaching an ultimate rate of approximately 3.8% in 2080.
Post-Retirement Participation Percentage	60%
Percentage with Spouse Coverage	45%

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

Mortality rates were developed using the Society of Actuaries; Pub. H-2010 mortality rates which vary by member status (e.g. active, retiree, or survivor) as the base table. The Office of the State Actuary applied 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 s assumed to receive additional mortality improvements in each future year, throughout their lifetime

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

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

Actuarial Valuation Date	6/30/2022
Actuarial Measurement Date	6/30/2022
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

The actuarial methodology used to determine the transactions subsequent to the measurement date were as follows:

Explicit Medicare Subsidy	Subsidy amounts are calculated at subscriber level, based on benefit plan and enrollment tier selected, then summed over entire population to include Medicare retirees from the State, Higher Education, K-12 and Political Subdivision groups.
Implicit Medicare Subsidy	Subsidy amounts are calculated using the implicit subsidy rate* (difference between theoretical early retiree rates and composite rates** for non-Medicare risk pool) and the enrollment counts for early retirees

*early retirees assumed to be 58% more expensive the non-Medicare risk pool as a whole on a per adult unit basis.

**calculated across non-Medicare risk pool for both self-insured and fully-insured plans using the PEBB Financial Projection Model (PFPM).

A retiree subsidy rate of $67.99 per member per month, used to calculate the transactions subsequent to the measurement date, is equal to the total subsidies received by current retirees (both explicit and implicit), divided by the number of current active subscribers. This amount is then allocated to the agency level based on the active, health care eligible employee headcount of each agency as of the measurement date.

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.16 percent for the June 30, 2021 measurement date and 3.54 percent for the June 30, 2022 measurement date.

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

Changes in Total OPEB Liability

As of June 30, 2023, components of the calculation of total OPEB lability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

Highline College

Proportionate Share (%)		**0.4343655689%**
Service Cost	$	1,361,267
Interest Cost		631,610
Differences Between Expected and Actual Experience		(625,500)
Changes in Assumptions*		(10,561,068)
Changes of Benefit Terms		-
Benefit Payments		(464,046)
Changes in Proportionate Share		(688,084)
Other		-
Net Change in Total OPEB Liability		(10,345,821)
Total OPEB Liability - Beginning		28,798,810
Total OPEB Liability - Ending	**$**	**18,452,989**

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

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of the College, calculated using the discount rate of 3.54 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

Discount Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 21,622,398	$ 18,452,989	$ 15,902,652

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the College, calculated using the health care trend rates of 2-11 percent reaching an ultimate range of 3.8 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (1-10 percent) or 1 percentage point higher (3-12 percent) than the current rate:

Health Care Cost Trend Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 15,623,851	$ 18,452,989	$ 22,072,395

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

For the year ending June 30, 2023, the College will recognize OPEB expense of $(182,582). OPEB expense consists of the following elements:

Highline College

Proportionate Share (%)	**0.4343655689%**
Service Cost	$ 1,361,267
Interest Cost	631,610
Amortization of Differences Between Expected and Actual Experience	11,124
Amortization of Changes in Assumptions	(2,002,076)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	-
Other Changes to Fiduciary Net Position	(184,507)
Total OPEB Expense	**$ (182,582)**

As of June 30, 2023, the deferred inflows and deferred outflows of resources for the College are as follows:

Highline College		
Proportionate Share (%)	**0.4343655689%**	
Deferred Inflows/Outflows of Resources	**Deferred Inflows**	**Deferred Outflows**
Difference between expected and actual experience	$ 384,678	$ 649,273
Changes in assumptions	1,512,428	13,377,788
Transactions subsequent to the measurement date	465,724	-
Changes in proportion	540,752	2,065,022
Total Deferred Inflows/Outflows	**$ 2,903,582**	**$ 16,092,083**

Amounts reported as deferred outflow of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

Highline College	
Proportionate Share (%)	**0.4343655689%**
2024	$ (2,175,460)
2025	$ (2,175,460)
2026	$ (2,175,457)
2027	$ (1,694,296)
2028	$ (1,254,762)
Thereafter	$ (4,178,790)

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

Highline College	
Proportionate Share (%) 2021	**0.4449978096%**
Proportionate Share (%) 2022	**0.4343655689%**
Total OPEB Liability - Ending 2021	$ 28,798,810
Total OPEB Liability - Beg 2022 (chg in prop)	28,110,726
Total OPEB Liability Change in Proportion	(688,084)
Total Deferred Inflows/Outflows - 2021	(2,530,760)
Total Deferred Inflows/Outflows - 2022 (chg in prop)	(2,470,294)
Total Deferred Inflows/Outflows Change in Proportion	60,466
Total Change in Proportion	**$ (748,550)**

Note 17 - Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2023.

Expenses by Functional Classification		
Instruction	$	34,758,197
Academic Support Services		8,275,008
Student Services		10,098,820
Institutional Support		14,981,137
Operations and Maintenance of Plant		5,526,244
Scholarships and Other Student Financial Aid		3,603,687
Auxiliary enterprises		3,428,313
Depreciation and amortization		3,052,634
Total operating expenses	**$**	**83,724,040**

Note 18 - Commitments and Contingencies

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

The College is engaged in a contractual commitment with the City of Des Moines and Sound Transit for constructing, redesigning, and improving the College entrance creating a roundabout. Completion of the construction for the College roundabout is expected in September 2024. The project cost is $1,400,000.00 with the College share at $900,000.00

Required Supplementary Information

Pension Plan Information
Schedule of Employer Contributions

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

Schedule of Highline College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.054450%	$ 2,742,944	$ 5,668,499	48.39%	61.19%
2015	0.062011%	$ 3,243,752	$ 6,783,466	47.82%	59.10%
2016	0.061421%	$ 3,298,595	$ 7,144,148	46.17%	57.03%
2017	0.060248%	$ 2,858,823	$ 7,500,895	38.11%	61.24%
2018	0.063504%	$ 2,815,834	$ 8,142,641	34.58%	63.22%
2019	0.063680%	$ 2,448,722	$ 8,849,355	27.67%	67.12%
2020	0.072201%	$ 2,549,085	$ 10,891,153	23.41%	68.64%
2021	0.074798%	$ 913,458	$ 11,332,220	8.06%	88.74%
2022	0.069479%	$ 1,934,550	$ 11,211,829	17.25%	76.56%

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

Schedule of Employer Contributions

Schedules of Highline College’s Proportionate Share of the Net Pension Liability

Schedule of Highline College's Share of the Net Pension Liability

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

Measurement Date of June 30

Fiscal Year	College’s proportion of the net pension liability	College proportionate share of the net pension liability (Asset)	College covered payroll	College’s proportionate share of the net pension liability as a percentage of its covered payroll	Plan’s fiduciary net position as a percentage of the total pension liability
2014	0.062994%	$ 1,273,336	$ 5,394,910	23.60%	93.29%
2015	0.072363%	$ 2,585,572	$ 6,514,928	39.69%	89.20%
2016	0.074691%	$ 3,760,634	$ 6,982,367	53.86%	85.82%
2017	0.073656%	$ 2,559,200	$ 7,337,559	34.88%	90.97%
2018	0.077738%	$ 1,327,306	$ 7,989,041	16.61%	95.77%
2019	0.080304%	$ 780,023	$ 8,762,098	8.90%	97.77%
2020	0.091633%	$ 1,171,720	$ 10,792,332	10.86%	97.22%
2021	0.093838%	$ (9,347,776)	$ 11,230,501	-83.24%	120.29%
2022	0.089321%	$ (3,312,722)	$ 11,155,107	-29.70%	106.73%

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

Schedule of Employer Contributions

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

Schedule of Highline College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.009103%	$ 268,489	$ 340,296	78.90%	68.77%
2015	0.012191%	$ 386,228	$ 524,241	73.67%	65.70%
2016	0.016208%	$ 553,380	$ 749,991	73.78%	62.07%
2017	0.018750%	$ 566,870	$ 1,173,280	48.31%	65.58%
2018	0.024442%	$ 713,852	$ 1,348,270	52.95%	66.52%
2019	0.020810%	$ 515,215	$ 1,412,995	36.46%	70.37%
2020	0.032460%	$ 781,892	$ 2,368,925	33.01%	70.55%
2021	0.029888%	$ 201,236	$ 2,233,006	9.01%	91.42%
2022	0.027343%	$ 520,018	$ 2,218,290	23.44%	78.24%

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

Schedule of Employer Contributions

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

Schedule of Highline College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability (Asset)	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.006325%	$ 20,429	$ 75,769	26.96%	96.81%
2015	0.009714%	$ 81,967	$ 462,260	17.73%	92.48%
2016	0.014112%	$ 193,779	$ 695,481	27.86%	88.72%
2017	0.091920%	$ 177,129	$ 1,173,280	15.10%	93.14%
2018	0.024858%	$ 111,890	$ 1,348,270	8.30%	96.88%
2019	0.020994%	$ 126,496	$ 1,412,995	8.95%	96.36%
2020	0.032672%	$ 501,836	$ 2,368,924	21.18%	91.72%
2021	0.029965%	$ (823,679)	$ 2,233,006	-36.89%	113.72%
2022	0.028005%	$ (55,109)	$ 2,218,290	-2.48%	100.86%

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

Pension Plan Information

Schedule of Employer Contributions

Schedule of Employer Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 243,279	$ 243,279	$ -	$ 5,668,499	4.29%
2015	$ 287,031	$ 287,031	$ -	$ 6,783,466	4.23%
2016	$ 350,322	$ 350,322	$ -	$ 7,144,148	4.90%
2017	$ 367,981	$ 367,981	$ -	$ 7,500,895	4.91%
2018	$ 421,173	$ 421,173	$ -	$ 8,142,641	5.17%
2019	$ 458,804	$ 458,804	$ -	$ 8,849,355	5.18%
2020	$ 527,049	$ 527,049	$ -	$ 10,891,153	4.84%
2021	$ 557,909	$ 557,909	$ -	$ 11,332,220	4.92%
2022	$ 419,587	$ 419,587	$ -	$ 11,211,828	3.74%
2023	$ 463,342	$ 463,342	$ -	$ 12,081,591	3.84%

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

Cost Sharing Employer Plans
Schedule of Employer Contributions

Schedule of Employer Contributions Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 487,151	$ 487,151	$ -	$ 5,394,910	9.03%
2015	$ 588,342	$ 588,342	$ -	$ 6,514,928	9.03%
2016	$ 766,698	$ 766,698	$ -	$ 6,982,367	10.98%
2017	$ 807,201	$ 807,201	$ -	$ 7,337,559	11.00%
2018	$ 1,000,761	$ 1,000,761	$ -	$ 7,989,041	12.53%
2019	$ 1,106,533	$ 1,106,533	$ -	$ 8,762,098	12.63%
2020	$ 1,368,400	$ 1,368,400	$ -	$ 10,792,332	12.68%
2021	$ 1,434,168	$ 1,434,168	$ -	$ 11,230,501	12.77%
2022	$ 1,123,346	$ 1,123,346	$ -	$ 11,155,107	10.07%
2023	$ 1,226,790	$ 1,226,790	$ -	$ 12,051,648	10.18%

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

Cost Sharing Employer Plans

Schedule of Employer Contributions

Schedule of Employer Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 11,731	$ 11,731	$ -	$ 340,296	3.45%
2015	$ 27,525	$ 27,525	$ -	$ 524,241	5.25%
2016	$ 49,232	$ 49,232	$ -	$ 749,991	6.56%
2017	$ 73,095	$ 73,095	$ -	$ 1,173,280	6.23%
2018	$ 95,464	$ 95,464	$ -	$ 1,348,270	7.08%
2019	$ 104,287	$ 104,287	$ -	$ 1,412,995	7.38%
2020	$ 170,891	$ 170,891	$ -	$ 2,368,925	7.21%
2021	$ 164,973	$ 164,973	$ -	$ 2,233,006	7.39%
2022	$ 139,354	$ 139,354	$ -	$ 2,218,290	6.28%
2023	$ 166,868	$ 166,868	$ -	$ 2,594,014	6.43%

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

Cost Sharing Employer Plans

Schedule of Employer Contributions

Schedule of Employer Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 27,430	$ 27,430	$ -	$ 275,769	9.95%
2015	$ 47,197	$ 47,197	$ -	$ 462,260	10.21%
2016	$ 88,584	$ 88,584	$ -	$ 695,481	12.74%
2017	$ 151,940	$ 151,940	$ -	$ 1,173,280	12.95%
2018	$ 199,326	$ 199,326	$ -	$ 1,348,270	14.78%
2019	$ 214,946	$ 214,946	$ -	$ 1,412,995	15.21%
2020	$ 362,240	$ 362,240	$ -	$ 2,368,925	15.29%
2021	$ 346,968	$ 346,968	$ -	$ 2,233,006	15.54%
2022	$ 318,094	$ 318,094	$ -	$ 2,218,290	14.34%
2023	$ 375,686	$ 375,686	$ -	$ 2,594,014	14.48%

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

Required Supplementary Information
State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Net Pension Liability and Related Ratios Highline College Fiscal Year Ended June 30, 2021 *(expressed in thousands)*						
	2018	2019	2020	2021	2022	2023
Total Pension Liability						
Service Cost	$ 152,751	$ 118,147	$ 149,507	$ 198,040	$ 63,359	$ 86,024
Interest	140,378	142,910	168,178	140,857	213,455	310,588
Changes of benefit terms	-	-	-		-	-
Differences between expected and actual experience	(415,187)	269,437	354,355	(1,270,853)	943,287	(249,625)
Changes of assumptions	(140,457)	506,618	946,829	(2,293,648)	306,413	(494,324)
Benefit Payments	(51,888)	(75,342)	(75,907)	(84,438)	(126,761)	(130,366)
Change in proportionate share of TPL	143,513	132,512	119,505	(18,793)	(12,539)	88,753
Other	-	-	-		11	(11,086)
Net Change in Total Pension Liability	**(170,890)**	**1,094,282**	**1,662,467**	**(3,328,835)**	**1,387,225**	**(400,036)**
Total Pension Liability - Beginning	**3,650,315**	**3,479,425**	**4,573,707**	**6,236,174**	**2,907,339**	**4,294,564**
Total Pension Liability - Ending (a)	**$ 3,479,425**	**$ 4,573,707**	**$ 6,236,174**	**$ 2,907,339**	**$ 4,294,564**	**$ 3,894,528**
Plan Fiduciary Net Position**						
Contributions-Employer	n/a	n/a	n/a	$ 27,807	$ 35,022	$ 37,366
Contributions-Member	n/a	n/a	n/a			
Net Investment Income	n/a	n/a	n/a	$ 348,053	$ 2,186	$ 102,307
Benefits Payments	n/a	n/a	n/a			
Administrative Expense	n/a	n/a	n/a			
Other	n/a	n/a	n/a		(43)	(11,105)
Net Change in Plan Fiduciary Net Position				**$ 375,860**	**$ 37,165**	**$ 128,568**
Plan Fiduciary Net Position-Beginning				**$ 991,597**	**$ 1,367,457**	**$ 1,404,622**
Plan Fiduciary Net Position-Ending (b)				**$ 1,367,457**	**$ 1,404,622**	**$ 1,533,190**
Plan's Net Position Liability (Asset) --Ending (a)-(b)				**$ 1,539,882**	**$ 2,889,942**	**$ 2,361,338**
College's Proportion of the Pension Liability	3.99%	4.14%	4.25%	4.24%	4.20%	4.33%
Covered-employee payroll	$ 22,563,590	$ 24,170,873	$ 26,267,681	$ 27,188,937	$ 27,119,945	$ 28,968,396
Total Pension Liability as a percentage of covered-employee payroll	15.420529%	18.922391%	23.740862%	10.693096%	15.835445%	13.444058%

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

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

The Schedule of Employer Contributions contains actual amounts, while the notes report contributions as a proportionate share of plan total contributions.

Schedule of Employer Contributions
State Board Supplemental Retirement Plan
Highline College
Fiscal Year Ended June 30, 2023

	2021	2022	2023
Statutorily determined contributions	$ 2,319,667	$ 2,315,589	$ 37,659
Actual contributions in relation to the above	2,319,667	2,315,589	37,659
Contribution deficiency (excess)	$ -	$ -	$ -
Covered Payroll	$ 27,188,937	27,119,945	28,968,396
Contribution as a % of covered payroll	8.53%	8.54%	0.13%

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

Required Supplementary Information
Other Postemployment Benefits Information

Schedule of Changes in Total OPEB Liability and Related Ratios Fiscal Year Ended June 30						
Total OPEB Liability	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Service cost	$ 1,783,043	$ 1,492,586	$ 1,098,848	$ 1,163,004	$ 1,439,394	$ 1,361,267
Interest cost	835,188	1,026,145	953,188	972,871	622,097	631,610
Difference between expected and actual experience	-	936,671	-	(149,083)	-	(625,500)
Changes in assumptions	(4,074,063)	(6,534,324)	1,775,086	630,637	265,793	(10,561,068)
Changes in benefit terms	-	-	-	-	-	-
Benefit payments	(425,625)	(433,392)	(436,026)	(463,199)	(473,952)	(464,046)
Changes in proportionate share	(416,919)	1,084,526	(125,878)	(275,454)	(1,080,724)	(688,084)
Other	-	-	-	(990,941)	-	-
Net Changes in Total OPEB Liability	$ (2,298,376)	$ (2,427,788)	$ 3,265,218	$ 887,835	$ 772,608	$ (10,345,821)
Total OPEB Liability - Beginning	$ 28,599,312	$ 26,300,936	$ 23,873,148	$ 27,138,367	$ 28,026,202	$ 28,798,810
Total OPEB Liability - Ending	$ 26,300,936	$ 23,873,148	$ 27,138,366	$ 28,026,202	$ 28,798,810	$ 18,452,989
College's proportion of the Total OPEB Liability (%)	0.451454%	0.470070%	0.467592%	0.462846%	0.444998%	0.434366%
Covered-employee payroll	$ 28,897,509	$ 34,603,653	$ 39,013,678	$ 40,478,554	$ 40,221,975	$ 43,519,218
Total OPEB Liability as a percentage of covered-employee payroll	91.014544%	68.990254%	69.561157%	69.237162%	71.599691%	42.401932%

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

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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