Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Highline College

For the period July 1, 2024 through June 30, 2025

Published September 3, 2026

Report No. 1040314

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Office of the Washington State Auditor Pat McCarthy

September 3, 2026

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

Pat McCarthy, State Auditor

Olympia, WA

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HIGHLINE COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Highline College

July 1, 2024 through June 30, 2025

This schedule presents the status of findings reported in prior audit periods.

Audit Period: July 1, 2023, through June 30, 2024	**Report Ref. No.:** 1038265	**Finding Ref. No.:** 2024-001
Finding Caption: Highline College lacked adequate internal controls to ensure its financial statements and related schedules were accurately prepared and reviewed.		
Background: The College lacked adequate internal controls to ensure its financial statements and related schedules were accurately prepared and reviewed. The process that management used was not effectively designed to detect or correct errors before the audit and did not ensure the College's statements and required footnote disclosures were accurate, complete and presented in accordance with GAAP.		
Status of Corrective Action: (check one) ☒ Fully Corrected ☐ Partially Corrected ☐ Not Corrected ☐ Fin ing is considered no longer valid		

Corrective Action Taken:

Highline College has:

--Sought review of SBCTC staff for Pensions and OPEB templates. Specifically Lori Carambot.

-- Reviewed current GASBs and reported once a quarter to the Vice President of Administration.

A) Performed GASB 101 Template that was given to Highline College.

B) Upon Financial Statement review it was determined that GASB 102 risk disclosures did not need to be in the financial statement preparation since Highline College did not have a significant vulnerability to certain concentrations or constraints as stated in GASB 102.

-- Adequate time for review from additional personnel once the financial statements are completed. Present financial statements in a meeting to Vice President of Administration, and selected Accounting Faculty.

-- Lease receivables and lease payables are now reviewed for their accuracy in the general ledger at the year end and reconciled to Debtbooks.

-- Statement of Cash Flows is footing in the 2025 Financial Statements. 2024 The Statement of Cash Flows was not footing.

-- A benefits expense reconciliation was performed for the 2025 Fiscal Year. There was not a benefits expense reconciliation performed for the 2024 Fiscal Year.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Highline College

July 1, 2024 through June 30, 2025

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, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated August 27, 2026.

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

Pat McCarthy, State Auditor

Olympia, WA

August 27, 2026

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Highline College

July 1, 2024 through June 30, 2025

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, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Highline College, as of June 30, 2025, 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 Foundation, which represent 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. 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, 2025, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2025, the College adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 101, Compensated Absences*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2025, the College changed its methodology for calculating scholarship discounts and allowances. 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 August 27, 2026 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

August 27, 2026

FINANCIAL SECTION

Highline College

July 1, 2024 through June 30, 2025

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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, 2025 (FY 2025). 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 just over 14,600 students. The college confers baccalaureate degrees, associate's degrees, certificates and high school diplomas. The College was established in 1961 and as a South King County college striving for social justice, Highline College partners 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 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 four-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 it's 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, 2025. 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, 2025

		2025	2024
Assets			
	Capital Assets, net	$ 64,338,789	$ 66,808,183
	Other Assets	$ 71,412,711	$ 64,081,652
Total Assets		$ 135,751,500	$ 130,889,835
Deferred Outflows of Resources		$ 9,965,425	$ 9,414,098
Liabilities			
	Other Liabilities	$ 12,485,995	$ 9,606,833
	Long-term Liabilities	$ 26,156,201	$ 28,168,583
Total Liabilities		$ 38,642,196	$ 37,775,416
Deferred Inflows of Resources		$ 17,164,515	$ 19,344,618
Net Position			
	Net Investment in Capital Assets	$ 62,953,985	$ 64,863,060
	Restricted	$ 7,409,350	$ 6,791,575
	Unrestricted	$ 19,546,880	$ 11,529,264
Total Net Position, as restated		$ 89,910,214	$ 83,183,899

Current assets consist primarily of cash, investments, various accounts receivable and inventories. The increase is related to cash in bank, receivables, and long-term investments. The increase in liabilities is in payables, compensated absences, and unearned revenue.

Net capital assets decreased by $2,469,394 from FY 2024 to FY 2025 primarily the result of disposal of certain assets being offset by the annual depreciation and amortization recorded in the amount of $3,054,635

Non-current assets consist primarily of the long-term portion of certain investments. Non-current assets also include actuarial valuations of pension plan that ended in Net Pension assets which decreased from FY24 to FY25 by $702,092.

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 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 $9,414,098 in FY 2024 and $9,965,425 in FY2025 of pension and postemployment-related deferred outflows. The decrease reflects the change in proportionate share.

Similarly, the decrease in deferred inflows in 2025 reflects the decrease in difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits.

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

The increase in current liabilities from FY 2024 to FY 2025 comes from a recognized increase in accounts payables, and compensated absences.

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. Right-to-use lease liability decreased by the payments made during the year. The College's non-current liabilities decreased reflecting a change in the College's proportionate share of the postemployment benefit liability for state's pension 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.

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.

Expendable – resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties who have placed time or purpose restrictions on the use of the asset. The primary expendable funds for the College are student loans. Changes in student loans balances are discussed above.

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 2025**	**FY 2024**
Net investment in capital assets, as restated	$ 62,953,985	$ 64,863,060
Restricted		
Expendable	$ 7,409,350	$ 6,791,575
Unrestricted, as restated	$ 19,546,880	$ 11,529,264
Total Net position, as restated	$ 89,910,214	$ 83,183,899

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 2025. 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, 2025 and 2024 is presented below.

Highline College

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2025 and 2024

Operating Revenues	**2025**	**2024**
Student tuition and fees, net	11,237,856	7,408,718
Auxiliary enterprise sales	2,011,951	1,332,967
Grants and contracts	34,654,038	28,892,489
Other operating revenues	182,354	806,091
Total operating revenues	**48,086,199**	**38,440,265**
Non-Operating Revenues		
State appropriations	50,163,132	46,904,952
Federal Pell grant revenue	8,253,888	5,830,269
Other non-operating revenues	2,557,603	2,553,222
Total non-operating revenues	60,974,623	55,288,443
Total revenues	**109,060,822**	**93,728,708**
Operating Expenses		
Salaries and Benefits	72,545,977	67,024,481
Scholarships	9,524,793	4,087,382
Depreciation and amortization	3,054,635	3,087,174
Other operating expenses	22,342,527	17,088,951
Total operating expenses	**107,467,932**	**91,287,988**
Non-Operating Expenses		
Building fee remittance	1,996,758	1,767,669
Other non-operating expenses	4,125	23,836
Total non-operating expenses	**2,000,883**	**1,791,505**
Total expenses	109,468,816	93,079,493
Excess (deficiency) before capital contributions	**(407,994)**	**649,215**
Capital appropriations and contributions	**7,134,309**	**2,725,922**
Change in Net position	**6,726,315**	**3,375,137**
Net Position		
Net position, beginning of year	83,183,899	79,870,836

Prior period adjustments or Cumulative effect of a change in accounting principle		(62,074)
Net position, beginning of year, as restated	83,183,899	79,808,762
Net position, end of year	**89,910,214**	**83,183,899**

Revenues

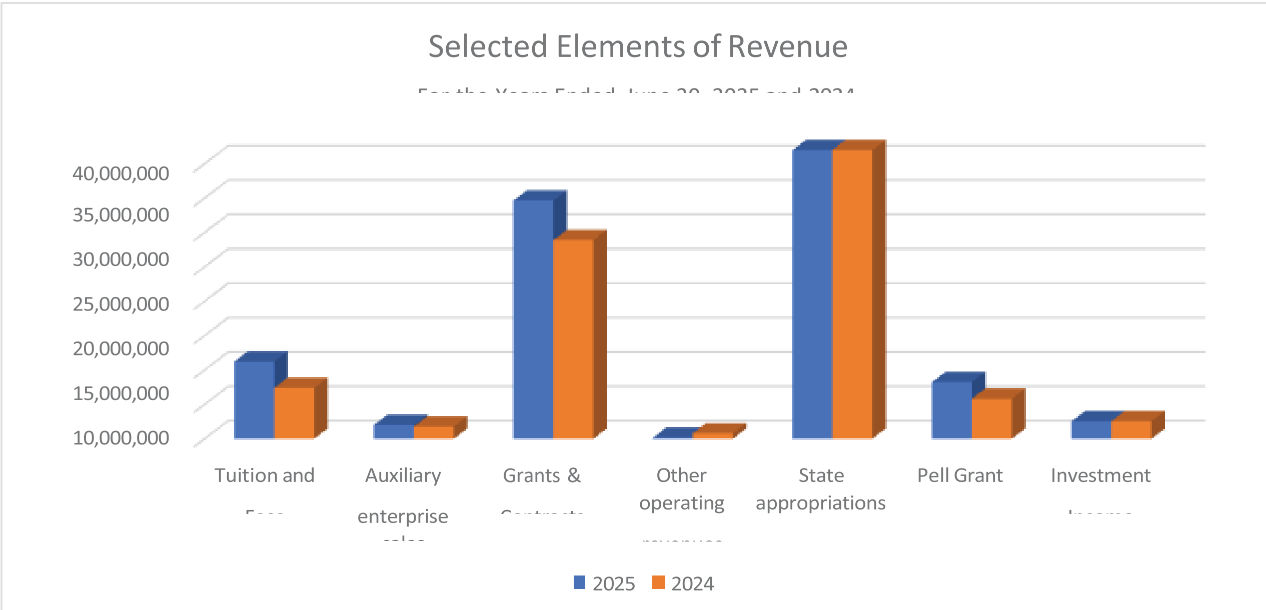
The state of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college.

Enrollments increased slightly in FY 2025, the College's increase in tuition and fee revenue is primarily attributable to an increase in students and the increase in tuition fees.

Pell grant revenues generally follow enrollment trends. As the College's enrollment increased during FY2025, so did the College's Pell grant revenue. For FY 2025, the College attempted to keep hold other fees as stable as possible, resulting in only small changes in these revenues. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law.

In FY 2025, grant and contract revenues increased when compared with FY 2024. 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 chart below shows the revenue categories for FY 2025 and FY 2024 for comparison.



Selected Elements of Revenue
40,000,000
35,000,000
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
Tuition and
Auxiliary
enterprise
Grants &
Other
operating
State
appropriations
Pell Grant
Investment
2025
2024

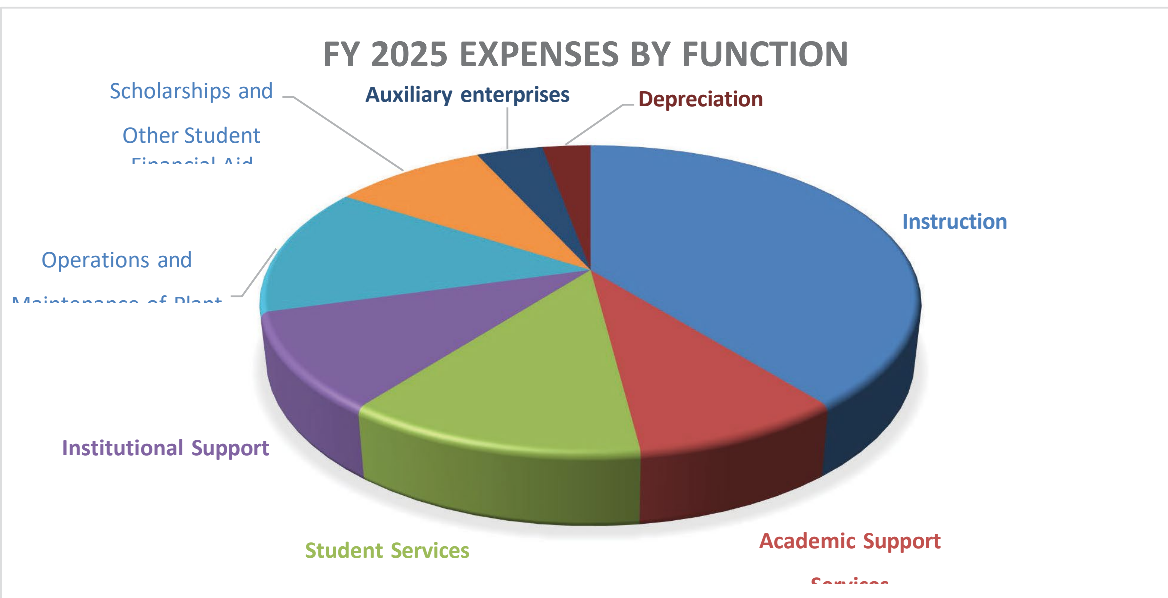
Expenses

In FY 2025, 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.

Repairs and Maintenance show an increasing part of the expense as many buildings are reaching their lifespan limit. 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 2025.



Capital Assets and Long-Term Debt Activities

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

At June 30, 2025, the College invested $63,207,701 in capital assets, net of accumulated depreciation. This represents a decrease of $2,061,052 from last year, as shown in the following table.

Asset Type	June 30, 2025	June 30, 2024	Change
Land	$48,289	$48,289	$0
Buildings, net	$62,140,753	$64,434,254	-$2,293,501
Equipment, net	$952,504	$723,650	$228,854
Library Resources, net	$66,154	$62,560	$3,595
Total Capital Assets, Net	**$63,207,701**	**$65,268,752**	**-$2,061,052**

Capital purchases were minimal in FY 2025 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.

Right to use leased assets are also part of the capital assets. Right to use lease assets decreased due to amortization recorded in FY25 for $420,974. The amounts in the table below are reported net of accumulated amortization.

Asset Type	June 30, 2025	June 30, 2024	Change
Leased Buildings, net	$ 1,131,088	$ 1,552,062	$ (420,974)
Total Right to Use Assets, net of amort.	$ 1,131,088	$ 1,552,062	$ (420,974)

The College has a Certificate of Participation (COP) for the renovation of building 24A.

	June 30, 2025	June 30, 2024	Change
Certificates of Participation	$ 165,000	$ 326,680	$ (161,680)
Total	**$ 165,000**	**$ 326,680**	**$ (161,680)**

Additional information of notes payable, long-term debt and debt service schedules can be found in Notes 13, 14, and 15 of the Notes to the Financial Statements.

The College receives capital spending authority on a biennial basis and may carry unexpended amounts forward into one or two future biennia, depending on the original purpose of the funding.

In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Expenses from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those 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.

Economic Factors That May Affect the Future

After nearly two years of work, the presidential task force made final recommendations to the State Board on adjustments to the current allocation model. The changes are tweaks to the current system rather than a wholesale re-write. The most impactful change is in how the model recognizes changes to student enrollment patterns throughout the state and adjusts funding in an appropriate way. The new model will handle those changes in a much faster way than the current model.

The State Board for Community and Technical Colleges adopted the recommendations, and this will be implemented in Fiscal Year 2027. The initial impacts of the model will be distributed over a six-year period, ending in fiscal year Fiscal Year 2032, with each college seeing one-sixth of their impact each year. Like the current model, the new model allocates funding to each college/district the funds received in the state's budget. The model is still based on performance in several key indicators, from general enrollments to enrollments in high-cost programs, as well as student completion and achievement points. Due to increase in enrollment, it is estimated that the College will likely see an increase in state operating appropriations in future year.

For the 2025-27 fiscal biennial year, the legislature increased the overall appropriation for the community college system by a small amount. However, most of these increases were in legally mandated expenditures such as cost-of-living wage increases. The appropriation for general operating expenses decreased by one-half of one percent. The September 2025 tax revenue forecasts for the 2025-27 and 2027-29 biennia predict less growth of tax revenue than previously anticipated, and this may have negative impact on future legislative appropriations to all state agencies including higher education institutions. This lower tax collection is exacerbated by decreases in Federal funding for Higher Education support.

Washington's personal income growth, which is the main factor in calculating future tuition increases, is slightly higher than the national average in the first quarter of 2025, and is forecasted to be continue higher than the national average from 2026 - 2030. While the formula for tuition increases tends to downplay any individual year's personal income growth due to the large number of years factored into the calculation, overall, the tuition collection environment statewide looks strong.

Currently, the most significant risk in revenue streams is from Federal Government programs. Many grant programs targeted to Higher Education have been cut or eliminated in House Resolution 1 (2025) and are projected to not be revived or even further decreased in proposed Federal Fiscal Year 2026. The impact across the Washington State Community and Technical System could be as high as $200M per year.

Highline College	
Statement of Net Position	
June 30, 2025	
Assets	
Current Assets	
Cash and cash equivalents	$ 43,188,726
Restricted cash	1,132,231
Short-term investments	3,466,933
Accounts Receivable	12,057,283
Lease Receivable, net ofallowances	41,317
Inventories	381,990
Prepaid expenses	41,419
Total current assets	60,309,901
Non-Current Assets	
Long-term investments	8,193,781
Non-depreciable capital assets	48,289
Capital assets, net of depreciation	63,159,412
Leases, net of amortization	1,131,088
Net pension asset	2,909,029
Total non-current assets	75,441,599
Total assets	135,751,500
Deferred Outflows of Resources	
Deferred outflows related to pensions	7,652,156
Deferred outflows related to OPEB	2,313,269
Total deferred outflows of resources	9,965,425
Liabilities	
Current Liabilities	
Accounts payable	5,326,489
Accrued liabilities	320,205
Compensated absences, current portion	2,812,457
Unearned revenue	2,962,778
Leases, current portion	219,923
Certificates of participation payable, current portion	165,000
Net pension liability, current portion	187,760
Total OPEB liability, current portion	491,382

Total current liabilities	12,485,995
Non-Current Liabilities	
Compensated absences	3,977,698
Leases	999,882
Net pension liability	3,015,362
Total OPEB liability	18,163,260
Total non-current liabilities	26,156,201
Total liabilities	38,642,196

The accompanying notes are an integral part of this statement

Deferred Inflows of Resources	
Deferred inflows on leases receivable	46,235
Deferred inflows related to pensions	4,317,684
Deferred inflows related to OPEB	12,800,596
Total deferred inflows of resources	17,164,515
Net Position	
Net Investment in Capital Assets	62,953,985
Restricted for:	
Nonexpendable	6,265,339
Expendable	1,144,010
Unrestricted (deficit)	19,546,880
Total Net Position	89,910,214

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, 2025	
Operating Revenues	
Student tuition and fees, net of scholarship discounts and allowances	$ 11,237,856
Auxiliary enterprise sales	2,011,951
State and local grants and contracts	32,449,942
Federal grants and contracts	2,204,096
Other Operating revenues	182,354
Total operating revenue	48,086,199
Operating Expenses	
Salaries and wages	57,617,308
Benefits	14,928,669
Scholarships and fellowships	9,524,793
Supplies and materials	1,623,245
Depreciation and amortization	3,054,635
Purchased services	9,334,872
Software Maintenance	2,069,083
Repairs and Maintenance	1,970,462
Utilities	1,258,732
Other operating expenses	6,086,133
Total operating expenses	107,467,932
Operating income (loss)	(59,381,734)
Non-Operating Revenues (Expenses)	
State appropriations	50,163,132
Federal Pell grant revenue	8,253,888
Investment income, gains and losses	2,557,603
Building fee remittance	(1,737,308)
Innovation fund remittance	(259,450)
Interest on indebtedness	(4,125)
Net non-operating revenue (expenses)	58,973,739
Income or (loss) before other revenues, expenses, gains or losses	(407,994)
Capital Contributions	
Capital appropriations	7,134,309

Increase (Decrease) in net position	6,726,315
Net position	
Net position, beginning of year	83,183,899
Prior period adjustments or Cumulative effect	
of a change in accounting principle (Note 2)	
Net position, beginning of year as restated	83,183,899
Net position, end of year	$ 89,910,214

The accompanying notes are an integral part of this statement

College Name			
Statement of Cash Flows			
For the Year Ended June 30, 2025			
Cash flows from operating activities			**2025**
	Student tuition and fees		$ 11,601,580
	Grants and contracts		32,794,467
	Payments to vendors		(14,431,939)
	Payments for utilities		(1,140,781)
	Payments to employees		(57,194,928)
	Payments for benefits		(18,095,295)
	Auxiliary enterprise sales		2,343,914
	Payments for scholarships and fellowships		(9,524,793)
	Other receipts		29,527
	Other payments		(6,037,035)
		Net cash used by operating activities	(59,655,282)
Cash flows from noncapital financing activities			
	State appropriations		49,376,606
	Pell grants		8,253,888
	Building fee remittance		(1,737,308)
	Innovation fund remittance		(259,450)
	Principal paid on noncapital debt and leases		420,974
		Net cash provided by noncapital financing activities	56,054,710
Cash flows from capital and related financing activities			
	Capital appropriations		7,134,309
	Purchases of capital assets		(419,530)
	Principal paid on capital debt		(155,000)
	Interest paid		(4,125)
		Net cash used by capital and related financing activities	6,555,654
Cash flows from investing activities			
	Purchase of investments		(2,354,581)
	Income of investments		2,557,603
		Net cash provided by investing activities	203,022
Increase in cash and cash equivalents			3,158,104

Cash and cash equivalents at the beginning of the year	41,162,853
Cash and cash equivalents at the end of the year	44,320,957
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	(59,381,734)

The accompanying notes are an integral part of this statement

Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	3,054,635
Changes in assets and liabilities	
Receivables, net	(1,641,111)
Inventories	(141,567)
Other assets	65,754
Accounts payable	2,682,205
Accrued liabilities	(1,153,927)
Lease Payable, net	(398,638)
Unearned revenue	723,039
Compensated absences	477,874
Pension liability adjustment	(3,941,812)
Net cash used by operating activities	$ (59,655,282)

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The accompanying notes are an integral part of this statement

HIGHLINE COLLEGE FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2025

ASSETS	2025
Current Assets	
Cash and cash equivalents	$ 3,643,583
Current portion of grants receivable	31,000
Tenant receivables, net	116,916
Prepaid expenses	8,383
Total current assets	3,799,882
Noncurrent Assets	
Investments	7,163,828
Grants receivable, net of current portion	31,000
Deposits	84,082
Property and Equipment, net	653,706
Operationg lease asset	4,595,924
Total Noncurrent Assets	12,528,540
Total assets	$ 16,328,422
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	$ 89,433
Due to the College	188,150
Unearned rent revenue	168,294
Current portion of leasehold improvements payable	103,200
Current portion of operating lease liabilities	1,228,287
Total current liabilities	1,777,364
Leasehold improvements payable, net of current portion	502,356
Operating lease liabilities, net of current portion	3,889,903
Total liabilities	6,169,623
Net Assets	
Without donor restrictions	2,055,548
With donor restrictions	8,103,251

Total net assets	10,158,799

The accompanying notes are an integral part of this statement

HIGHLINE COLLEGE FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	$ 3,268,997	$ 1,898,976	$ 5,167,973
In-kind contributions	200,000		200,000
Rental income	1,794,482		1,794,482
Net investment return (loss)	615,198	172,942	788,140
Net assets released from restrictions	1,514,833	(1,514,833)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	7,393,510	557,085	7,950,595
Expenses			
Scholarships and student assistance	580,671		580,671
College program support	909,162		909,162
College housing	2,046,195		2,046,195
Other program expenses	47,374		47,374
Total program services	3,583,402	-	3,583,402
Administration	714,634		714,634
Fundraising	71,578		71,578
Total supporting services	786,212	-	786,212
TOTAL EXPENSES	4,369,614	-	4,369,614
Change in net assets	3,023,896	557,085	3,580,981
Net Assets, beginning of year (deficit)	(968,348)	7,546,166	6,577,818
Net Assets, end of year (deficit)	$ 2,055,548	$ 8,103,251	$ 10,158,799

The accompanying notes are an integral part of this statement

Notes to the Financial Statements

June 30, 2025

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 four 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 component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discreetly 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, 2025, the Foundation distributed approximately $1,537,207 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 U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. Endowment investments are classified as non-current assets. The College records all cash and cash equivalents at fair value. Investments in the state's LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. All other investments are reported at fair value.

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.

Leases Receivable

Lease receivables are recorded at the present value of future lease payments expected to be received from the lessee during the term of the lease, reduced by a provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted using the State of Washington's incremental borrowing rate unless otherwise noted in the contract term

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 be 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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, excluding intangible right-to-use lease assets and subscription-based IT agreement assets. 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:

- Land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs are capitalized
- Infrastructure with a cost of $100,000 or more is capitalized and depreciated over 20-50 years
- Building, building improvements, improvements other than building and leasehold improvements with a cost of $100,000 or more are capitalized and depreciated over 5-50 years
- Intangible assets (excluding intangible right-to-use lease assets and subscription-based IT arrangements), either purchased or internally developed, with a cost of $1 million or more that are identifiable by meeting one of the following conditions:
    - The asset is capable of being separated or divided and sold, transferred, licensed, rented, or exchanged.
    - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable.

- Lease assets with total payments over the lease term of $500,000 or more are capitalized and amortized over the life of the lease

- Subscription-based IT arrangements with total payments over the term of the arrangement with total payments of $1 million or more are capitalized and amortized over the term of the agreement
- All capital assets acquired with Certificates of Participation, are capitalized and depreciated based on the category of asset
- All other capital assets with a unit cost (including ancillary costs) of $5,000 or greater purchased prior to Oct. 1, 2024, or collections with a total cost of $5,000 or greater purchased prior to Oct. 1, 2024 are capitalized and depreciated over 3-50 years depending on specific category of asset. After Oct. 1, 2024, the capitalization threshold was modified to $10,000 to align with new federal guidelines and Washington State Office of Financial Management policy. This change in capitalization threshold did not require any restatements and is prospective only.

Leases (Lessee) and Similar Subscription-Based Information Technology Arrangements The College is a lessee for a various non-cancellable leases of buildings. The College also has no non-cancellable subscription IT arrangements (similar to a lease) for the right-to-use information technology hardware and software (SBITA). For leases the College recognizes a lease liability

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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.

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 quarter 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 asset that is applicable to a future period. Deferred inflows of resources represent acquisition of net asset 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. Restricted for expendable includes resources for the explicit purpose of pension assets and is equal to the net pension asset amount, minus the deferred inflows, plus the deferred outflows for the pension plans that have a net pension asset.
- 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.

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, 2025 are $9,080,250 in tuition and fees and $9,279 in auxiliary enterprise sales.

State Appropriations

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

Building and Innovation Fee Remittance

Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

Note 2 - Accounting and Reporting Changes

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, effective FY25. It updates requirements for measuring liability for (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. It also establishes guidance for measuring a liability for leave that has not been used. The June 30, 2024 compensated absence liability balances were restated as a result of this new standard. Short-term Compensated Absences liability increased by $488,588 and Long-term Compensated Absences liability decreased by

$488,588 and decreased net position by $2,674.

In FY25, the college changed the methodology for calculating Scholarship Discounts and Allowances. Prior to FY25, the college calculated Discounts and Allowances using the estimating method endorsed by the National Association of College and University Business Officers (NACUBO). As of FY25, NACUBO is no longer endorsing this method because more accurate data is available directly from college newer Enterprise Resource Planning (ERP) systems. With the implementation of the Washington Community and Technical Colleges' new ERP system, the college now reports scholarship discounts and allowances to tuition and fees using transactional data from student accounts, which results in more accurate reporting on the financial statements. This change affects the Tuition and Fees revenue and Scholarship expense lines on the Statement of Expenses, Revenues and Changes in Net Position.

Accounting Standards Impacting the Future

In September 2024, GASB issued Statement No. 104, Disclosure of Certain Capital Assets, which was issued to provide essential information about certain types of capital assets. This requires capital assets be disclosed separately by class in capital asset note disclosures and additional disclosures of assets held for sale. The college will implement this statement as required.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements,* effective FY26. It changes and clarifies requirements of information presented in the MD&A, clarifies operating vs. non-operating revenues and expenses, presentation of major component unit information, and budgetary comparison presentation as RSI. The college has not determined the full impact of this statement.

Note 3 – Deposits and Investments Deposits

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

Investments in Local Government Investment Pool (LGIP)

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

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

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

As of June 30, 2025, the carrying amount of the College's cash and equivalents was $44,320,957 as represented in the table below:

Cash and Cash Equivalents	**June 30, 2025**
Petty Cash and Change Funds	$5,064
Bank Demand and Time Deposits	$390,436
Local Government Investment Pool	$43,925,458
Total Cash and Cash Equivalents	**$44,320,957**

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 College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. All of the College's investments fall within the hierarchy of Level 1 June 30, 2025.

Fixed or variable income securities	Total	Level 1	Level 2	Level 3
Bonds	$ 11,660,714	$ 11,660,714	$ -	$ -

The maturities of the College's investments in US government securities at June 30, 2025, are as follows:

Investment Maturities	**Fair Value**	**One Year or Less**	**1 - 4 Years**

US Government Securities	$ 11,660,714	$ 3,466,933	$ 8,193,781
Total Investments	**$ 11,660,714**	**$ 3,466,933**	**$ 8,193,781**

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, 2025, $11,660,714 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 MTG CORP	$ 1,464,527
FEDERAL FARM CREDIT BANK	$ 10,196,187
Total Investments Exposed to Custodial Risk	**$ 11,660,714**

Investment Expenses

Investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2025 were $812.

Note 4 - Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2025, accounts receivable were as follows:

Accounts Receivable	Amount
Student Tuition and Fees	$ 141,496
Due from the Federal Government	$ 1,186,513
Due from Other State Agencies	$ 5,944,462
Due from Local Government Agencies	$ 4,876,475
Subtotal	$ 12,148,946
Less Allowance for Uncollectible Accounts	$ (91,662)
Accounts Receivable, net	$ 12,057,283

Note 5 - 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 utility usage. Revenue recognized under these lease agreements during the year ended June 30, 2025 and future lease payments year ended June 30, 2026 are as follows:

As of June 30	Lease Revenue	Interest Revenue	Operations & Maintenance	Payments
FY 2025	231,193	1,557	84,504	317,254
FY 2026	41,317	46	14,130	55,494
Total minimum lease payments	$ 272,510	$ 1,603	$ 98,635	$ 372,748

Note 6 - Inventories

All inventory is merchandise inventory is 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, 2025:

Inventories	Amount
Merchandise Inventories	$ 381,990
Inventories	**$ 381,990**

Note 7 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2025 is presented as follows. The current year depreciation expense was $2,646,293

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	$ 48,289			$ 48,289
Capital assets, depreciable				
Buildings	113,828,657	-	-	113,828,657
Equipment	10,599,245	476,129	2,462,913	8,612,461
Library resources	955,099	32,801	100,072	887,828
Total capital assets, depreciable	125,383,001	508,930	2,562,985	123,328,947
Less accumulated depreciation				
Buildings	49,394,404	2,293,501	-	51,687,904
Equipment	9,875,595	228,166	2,443,804	7,659,957
Library resources	892,540	29,206	100,072	821,674
Total accumulated depreciation	60,162,538	2,550,873	2,543,876	60,169,535
Total capital assets, depreciable, net	65,220,463	(2,041,943)	19,109	63,159,412
Capital assets, net	**$ 65,268,752**	**$ (2,041,943)**	**$ 19,109**	**$ 63,207,701**
Leased Assets, net of amortization	**$ 1,552,062**		**$ 420,974**	**$ 1,131,088**

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Note 8 - Accounts Payable and Accrued Liabilities

Accrued liabilities as of June 30, 2024, were as follows:

Accounts Payable and Accrued Liabilities	Amount
Accounts Payable	$ 5,326,489
Agency Funds and Other Accrued Liabilities	$ 248,652
Amounts Held for Others and Retainage	$ 71,553
Total	**$ 5,646,694**

Note 9 - 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	$ 2,962,778
Total Unearned Revenue	$ 2,962,778

Note 10 - Risk Management

The College is exposed to various risk of loss related to tort liability, injuries to employees, errors and omissions, theft of, damage to, and destruction of assets, and natural disasters. The college purchases insurance to mitigate these risks. Management believes 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, 2024 through June 30, 2025 were $185,614.

Note 11 - Compensated Absences

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

Compensatory time and other miscellaneous leave. Certain college employees earn compensatory time, exchange time, personal holidays, and other miscellaneous leave that accumulates that can either be used for paid time off or may be cashed out in accordance with regulations, collective bargaining agreements, or college policy, as appropriate.

The accrued compensated absence leave liability as of June 30, 2025 totaled $2,812,457 in short-term and $3,977,698 in long-term compensated absence liability. The college uses last-in, first-out (LIFO) when estimating compensated absence liabilities.

Note 12 – Leases Payable Right-to-Use Lease Liabilities

The College leases buildings/equipment from various external entities. 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. The amount of lease payments for FY25 were $586,261 These leases expire in various years through 2031

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, 2025, the minimum lease payments under these right-to-use leases consist of the following:

As of June 30	Principal	Interest	Total
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	$ 1,219,805	$ 32,980	$ 1,252,785

Note 13 - Notes Payable

In 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 14 - Annual Debt Service Requirements

Future debt service requirements at June 30, 2024 are as follows:

Annual Debt Service Requirements			
Certificates of Participation			
Fiscal year	**Principal**	**Interest**	**Total**
2026	165,000	4,125	$ 169,125
Total	**$ 165,000**	**$ 4,125**	**$ 169,125**

Note 15 - Schedule of Long-Term Liabilities

	Balance outstanding 6/30/24	Additions	Reductions	Balance outstanding 6/30/25	Current portion
Certificates of Participation	$ 326,680		$ 161,680	$ 165,000	$ 165,000
Compensated absences	$ 6,079,522	710,633		$ 6,790,155	2,812,457
Right-to-use leases	$ 1,614,695		394,890	$ 1,219,805	219,923
Net pension liability	$ 4,305,056	5,751,897	6,853,831	$ 3,203,122	187,760
Total OPEB liability	$ 19,087,560	13,519,133	13,952,051	$ 18,654,642	491,382
Total	**$ 31,413,513**	**$ 19,981,663**	**$ 21,362,452**	**$ 30,032,724**	**$ 3,876,522**

Note 16 – 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

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 2025:

Aggregate Pension Amounts - All Plans

Net Pension Assets	$	2,909,029
Net Pension Liabilities	$	3,203,122
Deferred outflows of resources related to pensions	$	7,652,156
Deferred inflows of resources related to pensions	$	4,317,684
Pension Expense	$	(113,814)

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 https://www.drs.wa.gov/wp-content/uploads/2023/10/2023-ACFR-Document.pdf.

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.

<u>Contributions.</u> 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

<u>Plan Description</u>. 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, 2025 were as follows:

	PERS 1	PERS 2/3*	TRS 1	TRS 2/3*
Contribution Rates at close of FY25	9.11%	9.11%	9.86%	9.86%
Actual Contributions	$ 384,608	$ 951,569	$ 54,605	$ 277,431

* 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, 2023, with the results rolled forward to the June 30, 2024 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, 2023 valuation were based on the results of the *2013-2018 Demographic Experience Study Report and the 2023 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, 2024, are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Fixed Income	19.0%	2.15%
Tangible Assets	8.0%	4.5%
Real Estate	18.0%	4.8%
Global Equity	30.0%	5.6%
Private Equity	25.0%	8.6%
Total	**100%**	

The inflation component used to create the above table is 2.5 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	$	1,799,966	$	1,223,655	$	718,217
PERS Plan 2/3	$	5,244,078	$	(2,909,028)	$	(9,605,004)
TRS Plan 1	$	455,499	$	294,208	$	152,394
TRS Plan 2/3	$	1,611,069	$	68,942	$	(1,184,144)

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

Pension Liabilities/(Assets). At June 30, 2025, the College reported a net pension liability (asset) for its proportionate share of the net pension liabilities/assets) as follows:

	Asset	Liability
PERS 1		$ 1,223,654
PERS 2/3	$ 2,909,029	
TRS 1		$ 294,209
TRS 2/3		$ 68,943
Total	$ 2,909,029	$ 1,586,806

The College's proportionate share of pension liabilities/(assets) for fiscal years ending June 30, 2023 and June 30, 2024 for each retirement plan are listed below:

	2023	2024	Change
PERS 1	0.067996%	0.068867%	0.000871%
PERS 2/3	0.087178%	0.088244%	0.001066%
TRS 1	0.030917%	0.026522%	-0.004395%
TRS 2/3	0.030806%	0.034404%	0.003598%

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, 2025 the College recognized pension expense as follows:

	Pension Expense
PERS 1	$ 3,765
PERS 2/3	(40,131)
TRS 1	(69,074)
TRS 2/3	161,019
Total	$ 55,579

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, 2025:

	PERS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	97,914
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	384,608	-
Totals	**$ 384,608**	**$ 97,914**

	PERS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	1,652,972	6,735
Difference between expected and actual earnings of pension plan investments	-	833,644
Changes of assumptions	1,606,371	184,315
Changes in College's proportionate share of pension liabilities	212,833	42,739
Contributions subsequent to the measurement date	951,569	-
Totals	**$ 4,423,744**	**$ 1,067,435**

	TRS 1	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	27,708
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement	54,605	-

date				
Totals	**$**	**54,605**	**$**	**27,708**

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	471,447	5,103
Difference between expected and actual earnings of pension plan investments	-	128,357
Changes of assumptions	351,905	25,051
Changes in College's proportionate share of pension liabilities	72,288	92,960
Contributions subsequent to the measurement date	277,431	-
Totals	**$ 1,173,070**	**$ 251,470**

The $1,668,212 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, 2026.

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	$ (162,040)	$ (562,939)	$ (46,226)	$ (63,146)
2025	$ 83,248	$ 1,336,199	$ 24,190	$ 221,750
2026	$ (8,814)	$ 580,347	$ (2,407)	$ 98,420
2027	$ (10,308)	$ 559,960	$ (3,265)	$ 92,266
2028	$ -	$ 270,591	$ -	$ 99,658
Thereafter	$ -	$ 220,583	$ -	$ 195,223
Total Net Deferred (Inflows)/Outflows	$ (97,914)	$ 2,404,741	$ (27,708)	$ 644,170

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

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

<u>Plan Description</u>.

The State Board Retirement Plan is a privately administered single-employer defined contribution plan with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. The 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. As of June 30, 2024, this plan is being reported with a one year lag between measurement and reporting date.

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.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2025 were each $2,680,731.

	SBRP Contributions
Employer	$ 2,680,731
Employee	$ 2,680,731
Total	$ 5,361,462

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2023, with the results rolled forward to the June 30, 2024, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

The total Salary growth, based on the August 2021 Higher Education SRP Experience Study was 3.5% for the community and technical college system.

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, 2024, measurement date.

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

1% Decrease	Current Discount Rate	1% Increase
(6.00%)	(7.00%)	(8.00%)
$ 1,968,715	$ 1,616,335	$ 1,312,959

Pension Liabilities. At June 30, 2025 the College reported a net pension liability of $1,616,335 for its proportionate share of the net pension liabilities.

The College's proportionate share of pension liabilities for fiscal years ending June 30, 2023 and June 30, 2024 for the SBRP plan were as follows:

	2023	2024	Change
SBRP	4.33346%	4.35420%	0.02074%

The College's proportion of the net pension liability as based on the college's contributions in relation to the contributions of all community and technical colleges in Washington State.

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

Pension expense for the fiscal year ending June 30, 2025 was -$169,393.

Plan Membership

Membership in the State Board Supplemental Retirement Plans consisted of the following as of January 1, 2024, 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 pension liability/(asset) of the State Board Supplemental Retirement Plan as of June 30, 2024:

Highline College	
Schedule of Development of Net Pension Liability	
Total Pension Liability	
Service Cost	80,859
Interest	277,119
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(787,660)
Changes in Assumptions	-
Benefit Payments	(159,065)
Change in Proportionate Share of NPL	18,841
Other	-
Net Change in Total Pension Liability	(569,906)
Total Pension Liability - Beginning	3,937,324
Total Pension Liability - Ending (a)	**3,367,419**
Plan Fiduciary Net Position	
Contributions - Employer	39,334
Contributions - Member	-
Net Investment Income	128,221
Benefit Payments	-
Administrative Expense	-
Change in Proportionate Share of Plan Assets	7,542
Other	-
Net Change in Plan Fiduciary Net Position	175,097
Plan Fiduciary Net Position-Beginning	1,575,987
Plan Fiducairy Net Position-Ending (b)	**1,751,083**
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)	**1,616,335**

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2024, 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	$ 695,546	$	1,446,109
Changes of Assumptions	534,723	$	1,372,754
Changes in College's proportionate share of pension liability	198,106	$	26,163
Differences beteween Projected and Actual Earnings on Plan Investments			28,133
Total	**$ 1,428,375**	**$**	**2,873,159**

The $1,428,375 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and are current payments to retirees and Higher Education Retirement plan contributions to fully fund the plan. These payments and contributions will be recognized as a deferred outflow for the year ended June 30, 2025.

Other 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	
2025	(307,518)
2026	(319,014)
2027	(561,372)
2028	(80,116)
2029	(176,764)
Thereafter	0

Note 17 - 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, 2024

Active Employees*	607
Retirees Receiving Benefits**	175
Retirees Not Receiving Benefits***	2
Total Active Employees and Retirees	784

*Reflects active employees eligible for PEBB program participation as of June 30, 2024.

**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 2024, 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 2025 the explicit subsidy was $183 per member per month and it will remain $183 per member per month in calendar year 2026.

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	$	1,305
Dental		81
Life		4
Long-term Disability		2
Total		1,392
Employer contribution		1,204
Employee contribution		188
Total	$	1,392

*Per 2025 PEBB Financial Projection Model version 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2024 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, 2025, the state reported a total OPEB liability of $4.376 billion. The College's proportionate share of the total OPEB liability is $18,654,642. This liability was determined based on a measurement date of June 30, 2024.

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	2.40%
Projected Salary Changes	3.25% Plus Service-Based Salary Increases
Health Care Trend Rates*	Initial trend rate ranges from (4.5)-9.5%, reaching an ultimate rate of approximately 3.8% in 2080.
Post-Retirement Participation Percentage	60%

Percentage with Spouse Coverage	45%

*Please see OSA's website for the table of health care trend rates.

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	6/30/2024
Actuarial Measurement Date	6/30/2024
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 $66.50 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 3.65 percent for the June 30, 2023 measurement date and 3.93 percent for the June 30, 2024 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, 2025, 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 (%)		**0.4262969752%**
Service Cost	$	605,250
Interest Cost		694,211
Differences Between Expected and Actual Experience		355,210
Changes in Assumptions*		(1,584,562)
Changes of Benefit Terms		407,359
Benefit Payments		(469,885)
Changes in Proportionate Share		(440,499)
Net Change in Total OPEB Liability		(432,916)
Total OPEB Liability - Beginning		19,087,560
Total OPEB Liability - Ending	**$**	**18,654,644**

*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 3.93 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 (2.93 percent) or 1 percentage point higher (4.93 percent) than the current rate:

Discount Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 21,947,066	$ 18,654,644	$ 16,025,797

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 range of (4.5%)-9.5% reaching an ultimate range of 3.8% in 2080, 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 ((3.5%)-8.5%) or 1% higher ((5.5%)-10.5%) than the current rate:

Health Care Cost Trend Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 15,736,685	$ 18,654,644	$ 22,417,500

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

For the year ending June 30, 2025, the College will recognize OPEB expense of ($662,457). OPEB expense consists of the following elements:

Highline College

Proportionate Share (%)	**0.4262969752%**
Service Cost	$ 605,250
Interest Cost	694,211
Amortization of Differences Between Expected and Actual Experience	50,385
Amortization of Changes in Assumptions	(2,176,011)
Changes of Benefit Terms	407,359
Amortization of Changes in Proportion	(243,651)
Total OPEB Expense	**$ (662,457)**

As of June 30, 2025, the deferred inflows and deferred outflows of resources for the College are as follows:

Highline College

Proportionate Share (%)	0.4262969752%	
Deferred Inflows/Outflows of Resources	**Deferred Outflows**	**Deferred Inflows**
Difference between expected and actual experience	$ 504,508	$ 470,281
Changes in assumptions	939,049	10,308,158
Transactions subsequent to the measurement date	491,383	-
Changes in proportion	378,330	2,022,156
Total Deferred Inflows/Outflows	**$ 2,313,270**	**$ 12,800,595**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

Proportionate Share (%)	0.4262969752%
2026	$ (2,369,274)
2027	$ (1,896,203)
2028	$ (1,467,346)
2029	$ (1,628,579)
2030	$ (1,641,512)
Thereafter	$ (1,975,794)

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 (%) 2023	0.4363674080%
Proportionate Share (%) 2024	**0.4262969752%**
Total OPEB Liability - Ending 2023	$ 19,087,560
Total OPEB Liability - Beg 2024 (chg in prop)	18,647,061
Total OPEB Liability Change in Proportion	(440,499)
Total Deferred Inflows/Outflows - 2023 (chg in prop)	(9,991,862)

Total Deferred Inflows/Outflows - 2024 (chg in prop)		(9,761,271)
Total Deferred Inflows/Outflows Change in Proportion		230,591
Total Change in Proportion	**$**	**(671,090)**

Note 18 - 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, 2025.

Expenses by Functional Classification		
Instruction	$	42,184,045
Academic Support Services		9,382,431
Student Services		13,403,661
Institutional Support		10,937,083
Operations and Maintenance of Plant		14,586,957
Scholarships and Other Student Financial Aid		9,711,215
Auxiliary enterprises		4,205,231
Depreciation and amortization		3,054,635
Total operating expenses	**$**	**107,465,258**

Note 19 - Commitments and Contingencies

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

Required Supplementary Information

Pension Plan Information Cost Sharing Employer Plans

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 fiduciary net position as a % of total pension liability
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%	$ 1,934,549	$ 11,211,829	17.25%	76.56%
2023	0.067996%	$ 1,552,166	$ 12,081,591	12.85%	80.16%
2024	0.068867%	$ 1,223,654	$ 13,764,166	8.89%	84.05%

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

Cost Sharing Employer Plans

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
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%
2023	0.087178%	$ (3,573,151)	$ 12,051,648	-29.65%	107.02%
2024	0.088244%	$ (2,909,029)	$ 13,714,480	-21.21%	105.17%

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

Cost Sharing Employer Plans

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
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%
2023	0.030917%	$ 391,570	$ 2,594,014	15.10%	85.09%
2024	0.026522%	$ 294,209	$ 3,055,966	9.63%	86.53%

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

Cost Sharing Employer Plans

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
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%
2023	0.030860%	$ (37,970)	$ 2,594,014	-1.46%	100.49%
2024	0.034404%	$ 68,943	$ 3,055,966	2.26%	99.27%

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

Pension Plan Information Cost Sharing Employer Plans

Schedules 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
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%
2024	$ 409,454	$ 409,454	$ -	$ 13,764,166	2.97%
2025	$ 384,608	$ 384,608	$ -	$ 15,017,120	2.56%

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

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
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%
2024	$ 1,277,068	$ 1,277,068	$ -	$ 13,714,480	9.31%
2025	$ 1,331,255	$ 1,331,255	$ -	$ 14,961,807	8.90%

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

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
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%
2024	$ 57,266	$ 57,266	$ -	$ 3,055,966	1.87%
2025	$ 54,605	$ 54,605	$ -	$ 3,442,060	1.59%

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

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
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%
2024	$ 303,551	$ 303,551	$ -	$ 3,055,966	9.93%
2025	$ 332,036	$ 332,036	$ -	$ 3,442,060	9.65%

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

(expressed in thousands)

	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability							
Service Cost	$ 152,751	$ 118,147	$ 149,507	$ 198,040	$ 63,359	$ 86,024	$ 80,859
Interest	140,378	142,910	168,178	140,857	213,455	310,588	277,119
Changes of benefit terms	-	-	-		-	-	-
Differences between expected and actual experience	(415,187)	269,437	354,355	(1,270,853)	943,287	(249,625)	(787,660)
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)	(159,065)
Change in proportionate share of TPL	143,513	132,512	119,505	(18,793)	(12,539)	131,550	18,841
Other	-	-	-		11	(11,086)	
Net Change in Total Pension Liability	**(170,890)**	**1,094,282**	**1,662,467**	**(3,328,835)**	**1,387,225**	**(357,239)**	**(569,906)**
Total Pension Liability - Beginning	**3,650,315**	**3,479,425**	**4,573,707**	**6,236,174**	**2,907,339**	**4,294,564**	**3,937,325**
Total Pension Liability - Ending(a)	**$ 3,479,425**	**$ 4,573,707**	**$ 6,236,174**	**$ 2,907,339**	**$ 4,294,564**	**$ 3,937,325**	**$ 3,367,419**
Plan Fiduciary Net Position**							
Contributions-Employer	n/a	n/a	n/a	$ 27,807	$ 35,022	$ 37,366	$ 39,334
Contributions-Member	n/a	n/a	n/a				
Net Investment Income	n/a	n/a	n/a	$ 348,053	$ 2,186	$ 102,307	$ 128,221
Benefits Payments	n/a	n/a	n/a				
Change in Proportionate Share of Plan Assets	n/a	n/a	n/a			$ 42,796	$ 7,542
Other	n/a	n/a	n/a		(43)	(11,104)	
Net Change in Plan Fiduciary Net Position				**$ 375,860**	**$ 37,165**	**$ 171,365**	**$ 175,097**
Plan Fiduciary Net Position- Beginning				**$ 991,597**	**$ 1,367,457**	**$ 1,404,622**	**$ 1,575,987**
Plan Fiduciary Net Position-				**$ 1,367,457**	**$ 1,404,622**	**$ 1,575,987**	**$ 1,751,084**

Ending(b)							
Plan's Net Position Liability (Asset) –Ending(a)-(b)				**$ 1,539,882**	**$ 2,889,942**	**$ 2,361,338**	**$ 1,616,335**
College's Proportion of the Pension Liability	3.99%	4.14%	4.25%	4.24%	4.20%	4.33%	4.35%
Covered-employee payroll	$22,563,590	$24,170,873	$26,267,681	$27,188,937	$27,119,945	$28,968,396	$31,865,529
Total Pension Liability as a percentage of covered-employee payroll	15.420529%	18.922391%	23.740862%	10.693096%	15.835445%	13.591795%	10.567592%

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

Schedule of Employer Contributions State Board Supplemental Retirement Plan Highline College Fiscal Year Ended June 30					
	2021	2022	2023	2024	2025
Statutorily determined contributions	$ 35,346	$ 35,256	$ 37,659	$ 41,425	$ 45,018
Actual contributions in relation to the above	$ 35,140	$ 34,847	$ 36,954	$ 40,744	$ 43,732
Contribution deficiency (excess)	$ 206	$ 409	$ 705	$ 681	$ 1,286
Covered Payroll	$ 27,188,937	$ 27,119,945	$ 28,968,396	$ 31,865,529	$ 34,629,027
Contribution as a % of covered payroll	0.13%	0.13%	0.13%	0.13%	0.13%

Note: 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. In FY24 reporting for the SBRP plan changed a one-year lag between measurement and reporting.

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

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

Schedule of Changes in Total OPEB Liability and Related Ratios

Fiscal Year Ended June 30

Total OPEB Liability	**2023**	**2024**	**2025**
Service cost	$ 1,361,267	$ 668,696	$ 605,250
Interest cost	631,610	671,709	694,211
Difference between expected and actual experience	(625,500)	-	355,210
Changes in assumptions	(10,561,068)	(323,007)	(1,584,562)
Changes in benefit terms	-	-	407,359
Benefit payments	(464,046)	(467,870)	(469,885)
Changes in proportionate share	(688,084)	85,042	(440,499)
Other	-	-	1
Net Changes in Total OPEB Liability	$ (10,345,821)	$ 634,570	$ (432,915)
Total OPEB Liability - Beginning	$ 28,798,810	$ 18,452,989	$ 19,087,559
Total OPEB Liability - Ending	$ 18,452,989	$ 19,087,559	$ 18,654,644

College's proportion of the Total OPEB Liability (%)	0.434366%	0.436367%	0.426297%
Covered-employee payroll	$ 43,519,218	$ 48,315,475	$ 53,017,115
Total OPEB Liability as a percentage of covered-employee payroll	42.401932%	39.506098%	35.186079%

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

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