Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Walla Walla Community College

For the period July 1, 2021 through June 30, 2022

Published February 12, 2024

Report No. 1034247

Office of the Washington State Auditor
Pat McCarthy

February 12, 2024

Board of Trustees
Walla Walla Community College
Walla Walla, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Walla Walla Community College
July 1, 2021 through June 30, 2022

Board of Trustees
Walla Walla Community College
Walla Walla, 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 Walla Walla Community College, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 5, 2024.

Our report includes a reference to other auditors who audited the financial statements of the Walla Walla Community 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 or that are reported on separately by those auditors who audited the financial statements.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy, State Auditor

Olympia, WA

February 5, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Walla Walla Community College
July 1, 2021 through June 30, 2022

Board of Trustees
Walla Walla Community College
Walla Walla, 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 Walla Walla Community College, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the financial section of our report.

In our opinion, the 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 Walla Walla Community College, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Walla Walla Community College Foundation (the Foundation), which represent 23 percent, 36 percent and 10 percent, respectively, 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 Governmental Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinion.

Matters of Emphasis

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 February 5, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

February 5, 2024

FINANCIAL SECTION

Walla Walla Community College
July 1, 2021 through June 30, 2022

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Management's Discussion and Analysis

Walla Walla Community College

The following discussion and analysis provide an overview of the financial position and activities of Walla Walla Community College (the College) for the fiscal year ended June 30, 2022 (FY 2022). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Walla Walla Community College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills, and community service educational programs to approximately 5,935 students. The College confers applied baccalaureate degrees, associate's degrees, certificates and high school diplomas. The College was established in 1967 and its primary purpose is to inspire students to discover their potential and achieve their goals by providing relevant, equitable, and innovative learning opportunities and services.

The College's main campus is located in Walla Walla, Washington, a community of about 34,000 residents. The College also has a campus in Clarkston, Washington. Additionally, the College provides contracted educational services for the Department of Corrections at the Washington State Penitentiary in Walla Walla and at the Coyote Ridge Corrections Center in Connell. The College is governed by a five-member Board of Trustees appointed by the governor of the state with the consent of the state Senate. In accordance with Washington State law governing technical colleges, the College's board includes one member from business and one member from labor. In addition, the College has a Governor-appointed student trustee who is prohibited from voting on personnel or collective bargaining matters. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component unit – Walla Walla Community 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, 2022. 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 considered regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Statement of Net Position

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

Condensed Statement of Net Position
As of June 30, 2022

		2022		2021		Change
Assets						
Current Assets	$	20,517,785	$	22,508,789	$	(1,991,005)
Capital Assets, net		61,764,475		55,773,108		5,991,367
Other Assets, non-current		4,506,651		179,297		4,327,355
Total Assets	**$**	**86,788,911**	**$**	**78,461,194**	**$**	**8,327,717**
Deferred Outflows of Resources	**$**	**4,084,511**	**$**	**3,807,601**	**$**	**276,910**
Liabilities						
Current Liabilities	$	3,662,477	$	3,644,499	$	17,978
Other Liabilities, non-current		26,990,225		29,374,775		(2,384,549)
Total Liabilities	**$**	**30,652,703**	**$**	**33,019,274**	**$**	**(2,366,571)**
Deferred Inflows of Resources	**$**	**14,686,176**	**$**	**10,989,206**	**$**	**3,696,970**
Net Position						
Net Investment in Capital Assets	$	54,354,475	$	47,918,108	$	6,436,367
Restricted	$	635,950		698,248		(62,298)
Unrestricted		(9,455,882)		(10,356,040)		900,158
Total Net Position	**$**	**45,534,543**	**$**	**38,260,316**	**$**	**7,274,227**

Current assets consist primarily of cash, investments in the Washington State Local Government Investment Pool (LGIP), various accounts receivable, and inventories. Current assets decreased by $2 million over FY 2021. Accounts receivable decreased $4.7 million while cash and cash equivalents were up $2.5 million over FY 2021 both primarily due to the payment of receivables for Higher Education Emergency Relief Funds (HEERF).

Capital assets, net of depreciation decreased by $1.6 million from FY 2021 to FY 2022 while non-depreciable assets increased by $7.6 million. The majority of the increase is the result of the construction of the Science & Technology Building which is expected to be completed in 2023.

Other non-current assets increased by $4.3 million over FY 2021. The increase is primarily the result of the pension portion of GASB 68 which shows a net pension asset of $4,417,135 as opposed to a net pension liability, therefore the college reports a net pension asset amount in non-current assets. Other non-current assets also reflect the long-term portion of student loans receivable, net of allowances. The long-term portion of loans receivable decreased by $89,780 due to the in-process assignment of the Perkins federal loan program to the Department of Education.

Deferred outflows of resources and deferred inflows of resources represent deferrals in pension and postemployment benefits associated related to GASB Statements No. 68 and Statement No.75.The College recorded $3.8 million in FY 2021 and $4.1 million in FY 2022 of pension and postemployment-related deferred outflows. This increase in deferred outflows reflects the change in proportionate share.

Similarly, the increase in deferred inflows in 2022 reflects the increase in difference between actual and projected investment earnings on the state's pension plans and other post-employment benefits. The College recorded $11 million in FY 2021 and $14.7 million in FY 2022 of pension and postemployment-related deferred inflows. The increase reflects the change in proportionate share.

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

Current liabilities remained consistent year over year with a slight increase of $17,978 from FY 2021 to FY 2022.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation debt, net pension liability and OPEB liability.

Non-current liabilities decreased $2.4 million and is primarily the result of a decrease in net pension liability of $1.6 million. Other changes to non-current liabilities include a reduction to the principal amount outstanding on Certificates of Participation, which declined by $465,000 during FY 2022 due to normally scheduled annual debt service payments, and a decrease to long-term compensated absences of $568,495.

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. The College's nonexpendable fund balance is related to the Perkins Loan program, which has been discontinued. The College continues to service the loans; funds collected must be held until released to the federal government.

Expendable **–** resources the College is legally or contractually obligated to spend in accordance with restrictions placed by a donor and/or external parties who have placed time or purpose restrictions on the use of the asset. Student loans make up the majority of the College's expendable restricted funds, but there is also a small amount of student financial aid that falls into this classification. The changes in student loan balances were discussed in this section.

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.

Condensed Net Position As of June 30th	**2022**	**2021**	**Change**
Net investment in capital assets	$54,354,475	$47,918,108	$ 6,436,367
Restricted			
Non expendable	187,562	385,978	(198,415)
Expendable for financial aid	448,388	312,270	136,118
Unrestricted	(9,455,882)	(10,356,040)	900,158
Total Net Position	**$ 45,534,543**	**$ 38,260,316**	**$ 7,274,227**

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 2022. The objective of the statement is to present the revenues earned, both operating and non-operating and the expenses paid or incurred by the College, along with any other revenue, expenses, gains, and losses of the College.

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

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

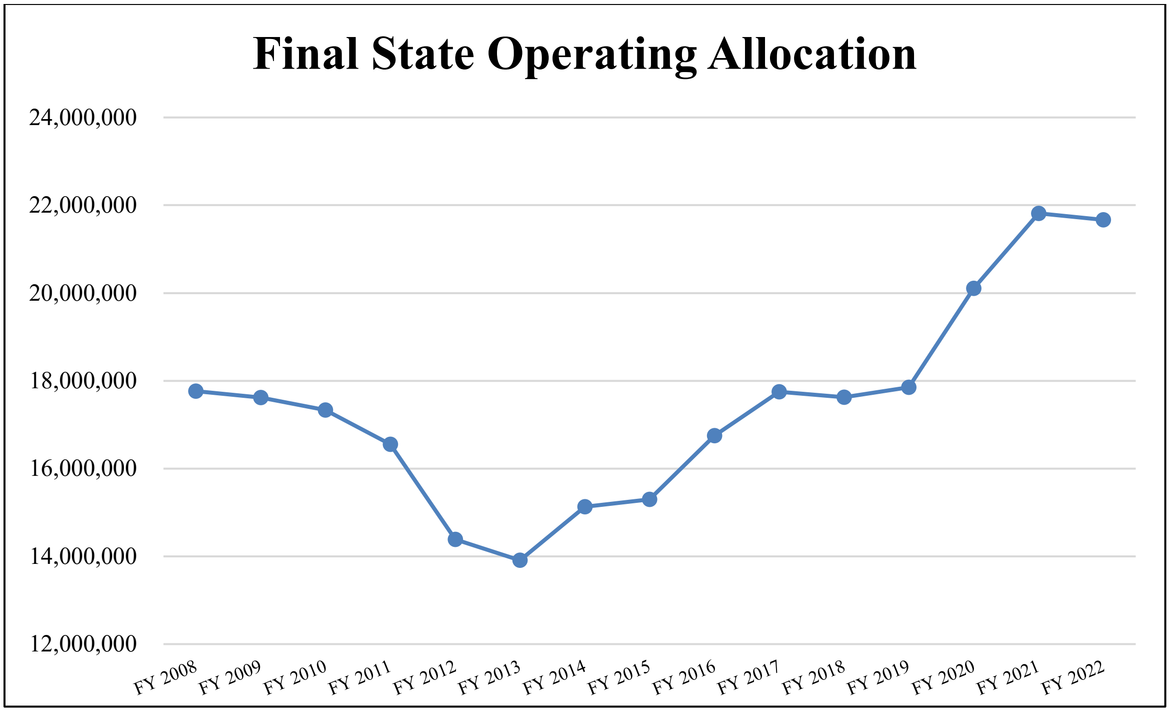
A condensed comparison of the College's revenues, expenses, and changes in net position for the years ended June 30, 2022 and 2021 is presented below.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022 and 2021

Operating Revenues	**2022**	**2021**	**Change**
Student tuition and fees, net	9,679,510	6,680,266	2,999,244
Auxiliary enterprise sales	1,504,026	881,208	622,819
State and local grants and contracts	10,907,143	14,654,320	(3,747,177)
Federal grants and contracts	1,035,494	1,386,030	(350,536)
Other operating revenues	899,388	624,712	274,676
Total operating revenues	**24,025,562**	**24,226,536**	**(200,974)**
Non-Operating Revenues			
State appropriations	21,086,517	21,815,166	(728,649)
Federal Pell grant revenue	4,483,054	4,297,581	185,473
Other non-operating revenues	3,509,855	6,396,481	(2,886,625)
Total non-operating revenues	**29,079,426**	**32,509,227**	**(3,429,801)**
Total revenues	**53,104,988**	**56,735,764**	**(3,630,776)**
Operating Expenses			
Salaries and wages	25,305,068	23,487,330	1,817,738
Benefits	5,813,302	6,110,143	(296,841)
Scholarships	10,371,132	7,685,666	2,685,466
Depreciation	2,168,244	2,285,084	(116,841)
Other operating expenses	10,220,107	10,061,969	158,138
Total operating expenses	**53,877,852**	**49,630,192**	**4,247,661**
Non-Operating Expenses			
Building fee remittance	951,239	896,921	54,319
Other non-operating expenses	589,859	570,209	19,650
Total non-operating expenses	**1,541,098**	**1,467,130**	**73,968**
Total expenses	**55,418,951**	**51,097,322**	**4,321,629**
Excess (deficiency) before capital contributions	**(2,313,963)**	**5,638,442**	**(7,952,405)**
Capital appropriations and contributions	**9,588,190**	**3,281,421**	**6,306,769**
Change in Net position	**7,274,227**	**8,919,863**	**(1,645,636)**
Net Position			
Net position, beginning of year	38,260,316	29,329,125	8,931,191
Prior period adjustments or Cumulative effect of a change in accounting principle	-	11,329	(11,329)
Net position, beginning of year, as restated	38,260,316	29,340,453	8,919,863
Net position, end of year	**45,534,543**	**38,260,316**	**7,274,227**

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.

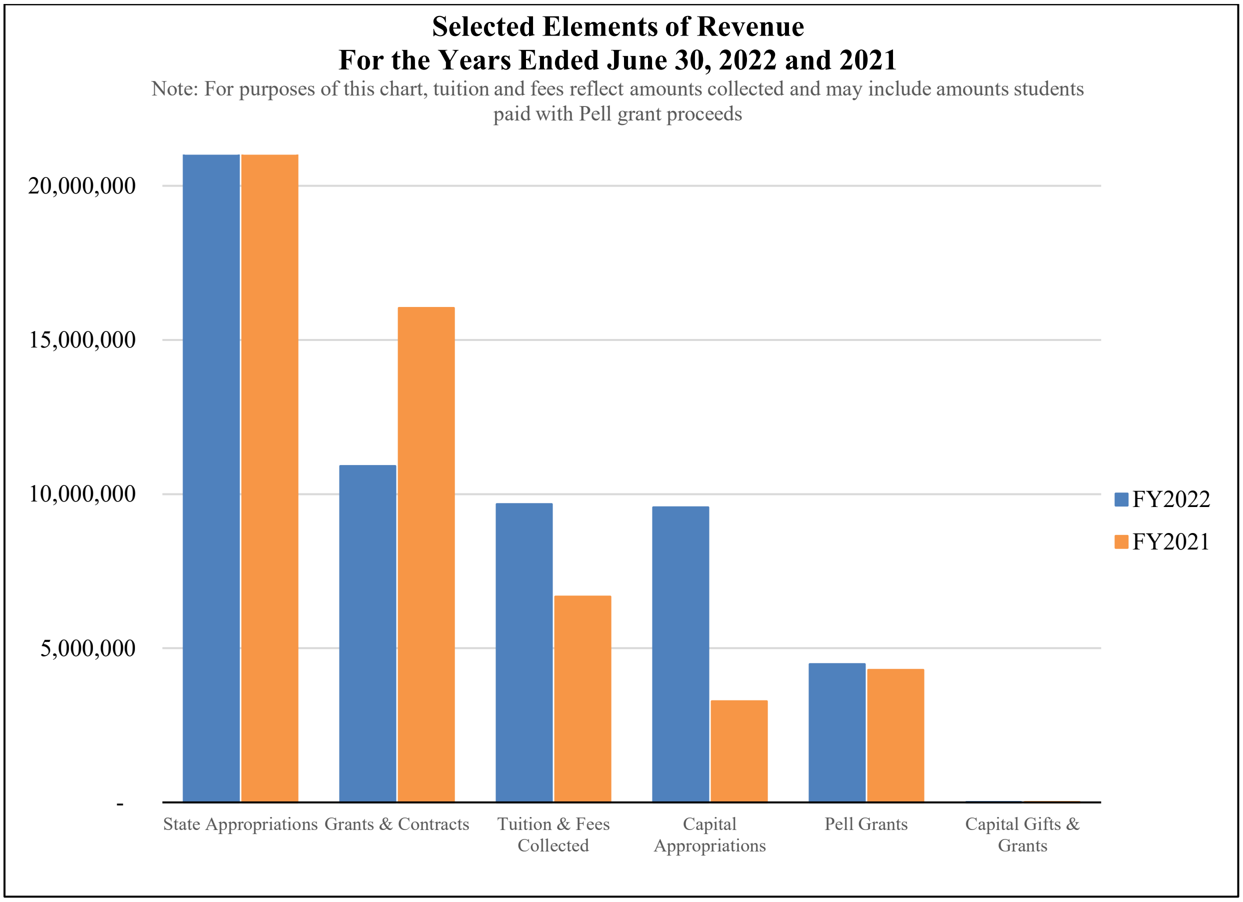


Since enrollments leveled off in FY 2022, the College's increase in tuition and fee revenue is primarily attributable to the increased tuition rates.

Pell grant revenues generally follow enrollment trends. As the College's allocation-eligible enrollment leveled off during FY 2022, so did the College's Pell Grant revenue. For FY 2022, the College attempted to keep 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. An example is the Continuing Education program.

In FY 2022, grant and contract revenues decreased by $4.1 million when compared with FY 2021. 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. In FY 2022, state and local grants and contracts decreased by $3.7 million primarily due to Higher Education Emergency Relief Funds (HEERF) awarded to the College in FY 2020.

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



Expenses

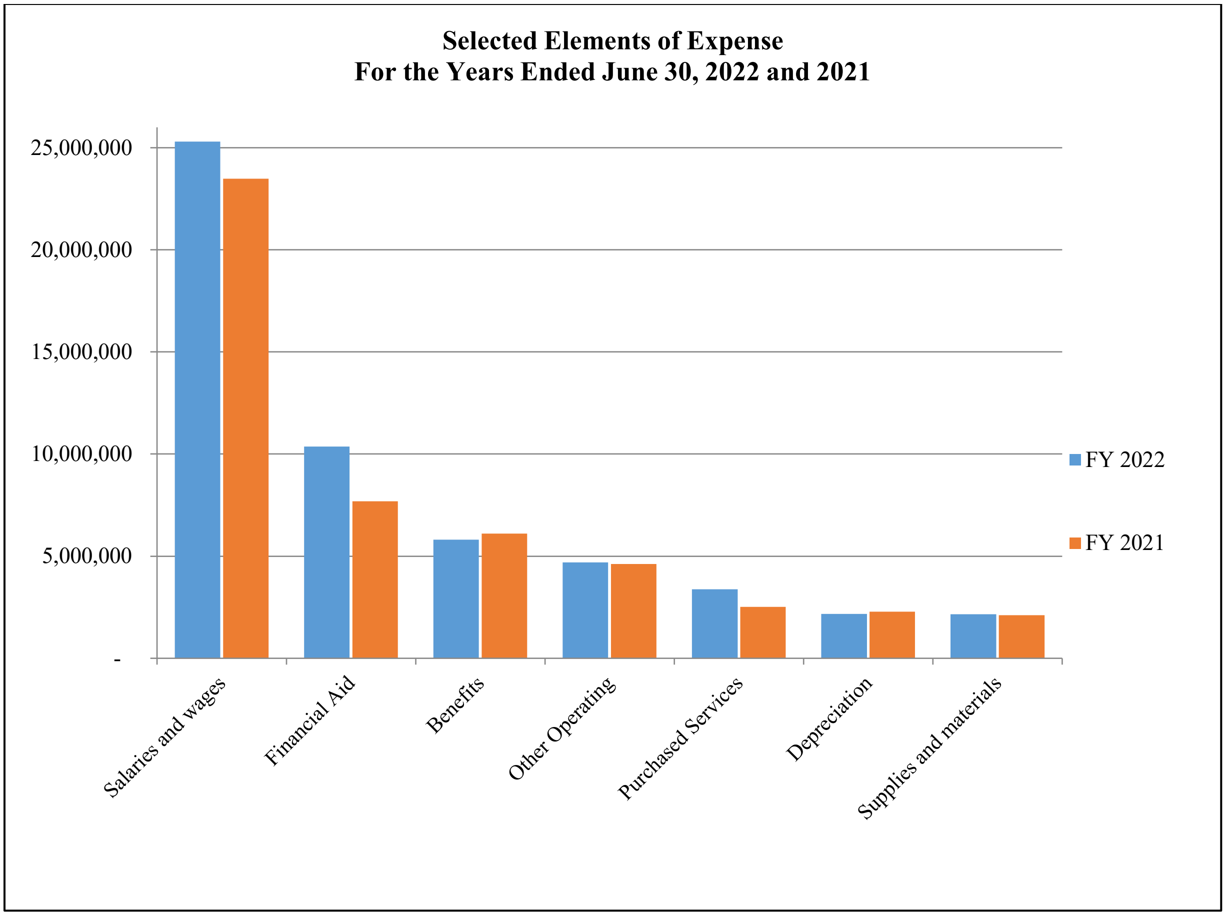
Faced with severe budget constraints over the past several years, the College has continuously sought opportunities to identify savings and efficiencies. With students, faculty, and staff returning to campus (following COVID-19 campus closures) and utility rates on the rise, utility costs have increased by $94,389 in FY 2022.

In FY 2022, salary and benefits have increased $1.5 million from FY 2021, due in part to the fulfillment of positions vacated because of the COVID-19 pandemic and also to the fact that in FY 2021 furloughs were implemented as a cost-saving measure, which significantly reduced salary and benefit expense in FY 2021.

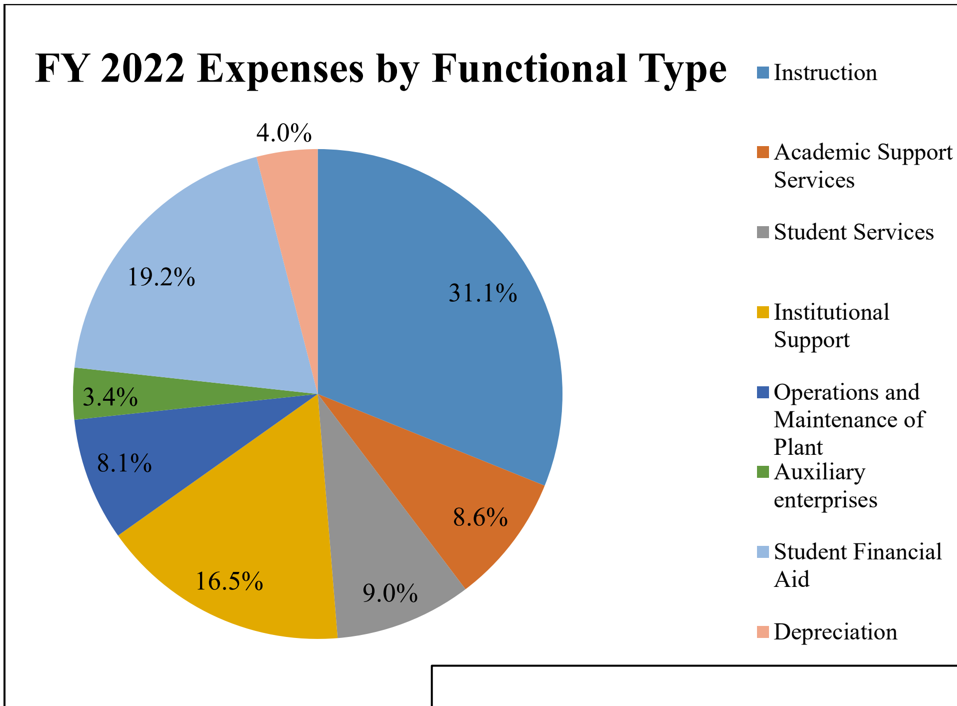
Supplies and materials and purchased services increased $906,595 from FY 2022. Certain capital project costs do not meet accounting criteria for capitalization and are instead recognized as supplies and materials or purchased services costs. These fluctuations are to be expected.

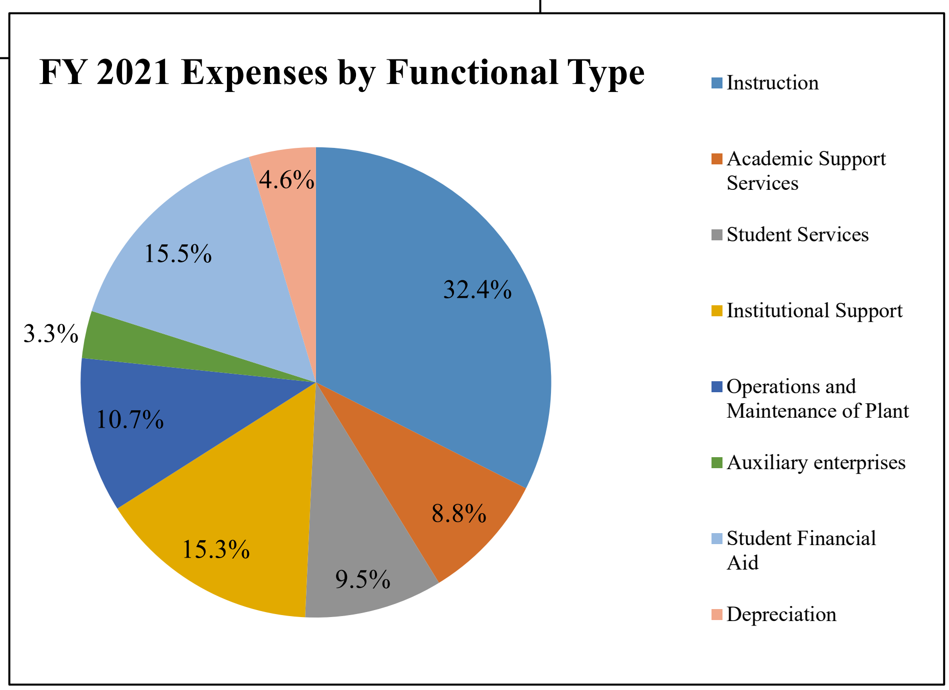
Comparison of Selected Operating Expenses by Function

The following chart shows the amount, in dollars, for selected elements of operating expenses for FY 2022 and FY 2021.



Operating Expenses by Function
The charts below show the percentage of each functional area of operating expenses for FY 2022 and FY 2021.





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.

At June 30, 2022, the College had invested $61.8 million in capital assets, net of accumulated depreciation. This represents an increase of $6 million from last year, as shown in the table below.

Asset Type		June 30, 2022		June 30, 2021		Change
Land	$	2,553,379	$	2,553,379	$	-
Construction in Progress		8,592,624		1,004,539	$	7,588,085
Buildings, net		48,185,354		49,746,000	$	(1,560,646)
Other Improvements and Infrastructure, net		154,957		166,986	$	(12,029)
Equipment, net		2,226,857		2,243,514	$	(16,657)
Library Resources, net		51,304		58,690	$	(7,386)
Total Capital Assets, Net	**$**	**61,764,475**	**$**	**55,773,108**	**$**	**5,991,367**

The increase in net capital assets can be attributed to a $7.6 million increase in Construction in Process due to a significant capital project that was in process on June 30, 2022. Additional information on capital assets can be found in Note 7 of the Notes to the Financial Statements.

At June 30, 2022, the College had $7.4 million in outstanding debt. This represents a decrease of $445,000 from last year, as shown in the table below.

		June 30, 2022		June 30, 2021		Change
Certificates of Participation		7,410,000		7,855,000		(445,000)
Total	**$**	**7,410,000**	**$**	**7,855,000**	**$**	**(445,000)**

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

Economic Factors That May Affect the Future

The State Board for Community and Technical Colleges allocates out to each college/district funds received in the Washington State budget. The model is based on performance in several key indicators, from general enrollments to enrollments in high-cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. Due to a slight increase in enrollment, it is estimated that the College will likely see an increase in state operating appropriations in future years.

In FY 2021 we received a significant increase in funding because of the Workforce Education Investment Act (E2SHB 2158). The bill created a new fund, the Workforce Education Investment Account. Appropriations from the account are supported by an increase in the Business and Occupation tax. These funds were allocated to the colleges as directed in the legislation. Most of these appropriations are budgeted to continue into FY 2023. There were no other significant changes to the method of allocating funds to college districts.

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

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

The Washington State Economic and Revenue Forecast Council (ERFC) has yet to release their anticipated November 2022 revenue forecast that will be the preliminary basis for the Governor's 2023-25 biennial budget which will be released in December. At the last monthly update, released in mid-November, the ERFC reported that current fiscal year (FY23) revenues were higher than forecast, but that they had concerns over slowdowns in state general fund revenues with the looming economic forecast for Calendar Year 2023 and 24.

Walla Walla Community College
Statement of Net Position
June 30, 2022

Assets	
Current assets	
Cash and cash equivalents	$ 14,010,766
Restricted cash	493,105
Accounts receivable, net of allowance	5,399,908
Student loans receivable, net of allowance	122,056
Inventories	441,031
Prepaid expenses	50,918
Total current assets	20,517,785
Non-Current Assets	
Student loans receivable, net of allowance	89,517
Non-depreciable capital assets	11,146,003
Capital assets, net of depreciation	50,618,472
Net pension asset	4,417,135
Total non-current assets	66,271,126
Total assets	**86,788,911**
Deferred Outflows of Resources	
Deferred outflows related to pensions	2,468,117
Deferred outflows related to OPEB	1,616,395
Total deferred outflows of resources	4,084,511
Liabilities	
Current Liabilities	
Accounts payable	241,232
Accrued liabilities	1,674,040
Compensated absences, current portion	246,759
Unearned revenue	712,827
Certificates of participation payable, current portion	465,000
Net pension liability, current portion	48,380
Total OPEB liability, current portion	274,240
Total current liabilities	3,662,477
Non-Current Liabilities	
Compensated absences, non-current portion	2,002,041
Certificates of participation payable, non-current portion	6,945,000
Net pension liability, non-current portion	1,704,640
Total OPEB liability, non-current portion	16,338,545
Total non-current liabilities	26,990,225
Total liabilities	**30,652,702**
Deferred Inflows of Resources	
Deferred inflows related to pensions	7,678,875
Deferred inflows related to OPEB	7,007,301
Total deferred inflows of resources	14,686,176
Net Position	
Net Investment in Capital Assets	54,354,475
Restricted for:	
Nonexpendable	187,562
Expendable	448,388
Unrestricted (deficit)	(9,455,882)
Total Net Position	**$ 45,534,543**

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

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

Operating Revenues	
Student tuition and fees, net of scholarship discounts and allowances	$ 9,679,510
Auxiliary enterprise sales	1,504,026
State and local grants and contracts	10,907,143
Federal grants and contracts	1,035,494
Other operating revenues	892,359
Interest on loans to students	7,029
Total operating revenue	24,025,562
Operating Expenses	
Salaries and wages	25,305,068
Benefits	5,813,302
Scholarships and fellowships	10,371,132
Supplies and materials	2,156,998
Depreciation	2,168,244
Purchased services	3,373,042
Utilities	909,550
Other operating expenses	3,780,517
Total operating expenses	53,877,852
Operating income (loss)	(29,852,291)
Non-Operating Revenues (Expenses)	
State appropriations	21,086,517
Federal non-operating revenue	3,492,643
Federal Pell grant revenue	4,483,054
Investment income, gains and losses	17,213
Building fee remittance	(951,239)
Innovation fund remittance	(201,664)
Interest on indebtedness	(388,195)
Net non-operating revenue (expenses)	**27,538,328**
Income or (loss) before other revenues, expenses, gains, or losses	(2,313,963)
Capital Contributions	
Capital appropriations	9,575,990
Capital Gifts	12,200
Increase (Decrease) in net position	7,274,227
Net Position	
Net position, beginning of year	38,260,316
Net position, end of year	$ 45,534,543

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

Walla Walla Community College
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities	
Student tuition and fees	$ 9,952,324
Grants and contracts	15,165,062
Payments to vendors	(5,914,213)
Payments for utilities	(959,659)
Payments to employees	(25,907,703)
Payments for benefits	(7,850,790)
Auxiliary enterprise sales	1,568,987
Payments for scholarships and fellowships	(10,371,132)
Collection of loans to students and employees	110,218
Other receipts	257,316
Other payments	(3,816,476)
Net cash used by operating activities	**(27,766,064)**
Cash flows from noncapital financing activities	
State appropriations	22,617,733
Pell grants	4,483,054
Other Federal non-operating reveue	3,492,643
Building fee remittance	(909,777)
Innovation fund remittance	(188,863)
Net cash provided by noncapital financing activities	**29,494,789**
Cash flows from capital and related financing activities	
Capital appropriations	9,735,184
Purchases of capital assets	(8,135,038)
Principal paid on capital debt	(445,000)
Interest paid	(388,195)
Net cash used by capital and related financing activities	**766,951**
Cash flows from investing activities	
Income of investments	17,213
Net cash provided by investing activities	**17,213**
Increase(decrease) in cash and cash equivalents	2,512,888
Cash and cash equivalents at the beginning of the year	**11,990,983**
Cash and cash equivalents at the end of the year	**14,503,871**

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

Walla Walla Community College
Statement of Cash Flows *(continued)*
For the Year Ended June 30, 2022

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Operating Loss	**$**	**(29,852,291)**
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense		2,168,244
Changes in assets and liabilities		
Receivables, net of allowance		2,981,336
Inventories		(145,303)
Other assets		(35,959)
Accounts payable		(601,356)
Accrued liabilities		574,412
Unearned revenue		(56,178)
Compensated absences		(538,514)
Pension liability adjustment		(2,363,643)
Loans to students and employees		103,189
Net cash used by operating activities	**$**	**(27,766,064)**
Significant Noncash Transactions		
Capital assets acquired through gifts		12,000

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

Walla Walla Community College Foundation and Subsidiary
Consolidated Statements of Financial Position
December 31, 2021

Assets		
Current assets		
Cash and cash equivalents		$ 2,048,800
Investments		22,844,872
Inventory		200,161
Assets held for resale		58,685
Prepaid expenses and other assets		11,550
Accounts Receivable		4,902
	Total current assets	**$ 25,168,970**
Property and equipment, net of accumulated depreciation		**1,292,223**
Other assets		
Pledge receivable, noncurrent		$ -
	Total assets	**$ 26,461,193**
Liabilities and net assets		
Current liabilities		
Accounts payable		$ 437,639
Accrued liabilities		18,052
	Total liabilities	**$ 455,691**
Net assets		
Unrestricted net assets		$ 18,691,837
Temporarily restricted net assets		7,313,665
	Total net assets	**$ 26,005,502**
	Total liabilities and net assets	**$ 26,461,193**

Walla Walla Community College Foundation and Subsidiary
Consolidated Statement of Activities and Changes in Net Assets
Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue			
Contributions and grants	$ 569,398	$ 933,808	$ 1,503,206
Net investment income	887,625	624,111	1,511,736
Donated service and materials	153,384		153,384
Lease income	139,667		139,667
Gain on Sale of Capital Asset	13,050		13,050
Warrior Club	9,000		9,000
Program revenue	28,104		28,104
Interest income	12,013		12,013
Other income	13,661		13,661
Wine Operations			
Retail Sales	432,831	-	432,831
Net assets released from restrictions	4,852	(4,852)	-
Total public support, revenue and reclassifications	**$ 2,263,585**	**$ 1,553,067**	**$ 3,816,652**
Expenses			
Program Expenses	$ 1,405,331	$ -	$ 1,405,331
Management and General	299,290	-	$ 299,290
Fundraising	70,579	-	$ 70,579
Total Expenses	**$ 1,775,200**	**$ -**	**$ 1,775,200**
Change in net assets	**$ 488,385**	**$ 1,553,067**	**$ 2,041,452**
Net assets - beginning of year	18,203,452	5,760,598	23,964,050
Net assets - end of year	**$ 18,691,837**	**$ 7,313,665**	**$ 26,005,502**

Notes to the Financial Statements

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

Note 1 - Summary of Significant Accounting Policies

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

The Walla Walla Community College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1982 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to support the educational and cultural programs of the College through an annual fund drive and other fund-raising events. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the College or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2022, the Foundation distributed approximately $1,267,532 to the College for restricted and unrestricted purposes. A copy of the Foundation's complete financial statements may be obtained from the Walla Walla Community College Foundation, 500 Tausick Way, Walla Walla WA 99362 or by calling (509) 527-4275.

Basis of Presentation
The financial statements have been prepared in accordance with GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments as amended by GASB Statement No. 35, Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities. For financial reporting purposes, the College is considered a special-purpose government engaged only in Business Type Activities (BTA). In accordance with BTA reporting, the College presents a Management's Discussion and Analysis, a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, a Statement of Cash Flows, and Notes to the Financial

Statements. The format provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting

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

Non-exchange transactions - in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange - include 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. 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.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash and cash equivalents.

Accounts Receivable

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

Inventories
Merchandise inventory consists solely of merchandise held for resale in the bookstore and is valued at cost using the FIFO method. Consumable inventories consist of inventories of food supplies held for use by the campus culinary program and are valued at cost using the FIFO method. The College's vocational programs purchase student project vehicles and valuation of these work-in-process projects are valued at actual costs incurred.

Prepaid Items
Prepaid items are generally outstanding credit memos received by the College's on-campus bookstore for items returned. Prepaid items also exist due to deposits on equipment.

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

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. GASB 34 guidance concerning preparing initial estimates for historical cost and accumulated depreciation related to infrastructure was followed. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives are generally 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

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

Unearned Revenues
Unearned revenues occur when funds have been collected prior to the end of the fiscal year that are related to the subsequent fiscal year. Unearned revenues also include tuition and fees paid with financial aid funds. The College has recorded summer and fall quarter (FY 2023) tuition and fees received as well as any advanced grant proceeds as unearned revenues.

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

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

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

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

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

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

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

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

Net Position

The College's net position is classified as follows:

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

- *Restricted*. Resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by statue, granting authorities, or third parties.
    - *Non-Expendable*. This includes resources from Federal Perkins Loan funds held in accordance with federal regulations.
    - *Expendable*. These include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by third parties.

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

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

Classification of Revenues and Expenses

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

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

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

Non-operating Revenues. This includes activities that are not directly related to the ongoing operations of the College, such as gifts and contributions, state appropriations, investment income, and Pell Grants received from the federal government. In FY 22, non-operating revenues also included funds received through the federal CARES act.

Non-operating Expenses. Non-operating expenses include state remittances related to the building and innovation fees, as well as interest incurred on Certificate of Participation Loans.

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2022 are $3,280,156.

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 that 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

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

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

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

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

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 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; 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 investment 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, 2022, the carrying amount of the College's cash and equivalents was $14,503,871, as represented in the table below.

Cash and Cash Equivalents		June 30, 2022
Bank Demand and Time Deposits		10,833,812
Local Government Investment Pool		3,039,568
Restricted Cash		493,105
State Agency in Transit		126,780
Petty Cash and Change Funds	$	10,607
Total Cash and Cash Equivalents	**$**	**14,503,871**

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

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. The accounts receivable balance of $5,399,908 held at June 30, 2022 breaks down as follows:

Accounts Receivable	Amount
Student Tuition and Fees	$ 1,517,011
Due from the Federal Government	814,232
Due from Other State Agencies	3,590,799
Auxiliary Enterprises	160,051
Interest Receivable	-
Other	239,489
Subtotal	6,321,582
Less Allowance for Uncollectible Accounts	(921,674)
Accounts Receivable, net	**$ 5,399,908**

Note 5 - Loans Receivable

Loans receivable as of June 30, 2022 consisted primarily of student loans, as follows:

Loans Receivable		Amount
Student Loans Receivable	$	574,647
Less Allowance for Uncollectible Accounts		(363,074)
Loans Receivable, net	**$**	**211,573**

Note 6 – Inventories

Inventories as of June 30, 2022, were as follows:

Inventories	Method		Amount
Consumable Inventories	FIFO	$	14,168
Merchandise Inventories	FIFO		366,216
Work in Progress Inventories	Actual Cost		60,647
Inventories		**$**	**441,031**

Note 7 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2022 is presented as follows. The current year depreciation expense was $2,168,244. The College received a donation of one piece of equipment with a replacement value of $12,000 during FY 2022.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital assets, non-depreciable				
Land	$ 2,553,379	$ -	$ -	$ 2,553,379
Construction in progress	1,004,539	7,588,085	-	8,592,624
Total capital assets, non-depreciable	3,557,918	7,588,085	-	11,146,003
Capital assets, depreciable				
Buildings	78,308,963		-	78,308,963
Other improvements and infrastructure	2,801,091		-	2,801,091
Equipment	10,805,090	568,197	(79,676)	11,293,611
Library resources	2,977,045	11,567	-	2,988,613
Total capital assets, depreciable	94,892,189	579,764	(79,676)	95,392,278
Less accumulated depreciation				
Buildings	28,562,963	1,560,646	-	30,123,609
Other improvements and infrastructure	2,634,105	12,029	-	2,646,134
Equipment	8,561,576	576,615	(71,437)	9,066,754
Library resources	2,918,355	18,953	-	2,937,309
Total accumulated depreciation	42,676,999	2,168,244	(71,437)	44,773,806
Total capital assets, depreciable, net	52,215,190	(1,588,479)	(8,239)	50,618,472
Capital assets, net	**$ 55,773,108**	**$ 5,999,606**	**$ (8,239)**	**$ 61,764,475**

Note 8 - Accounts Payable and Accrued Liabilities

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

Accounts Payable and Accrued Liabilities	Amount
Amounts Owed to Employees	$ 630,243
Accounts Payable and other accrued liabilities	1,165,189
Amounts Held for Others and Retainage	119,840
Total	**$ 1,915,271**

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	$ 544,257
Auxiliary Enterprises	75,380
Grants and Contracts	93,190
Total Unearned Revenue	$ 712,827

Note 10 - Risk Management

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

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

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

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. Payments made for claims from July 1, 2021 through June 30, 2022, were $191,919.

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. Accrued vacation leave totaled $1,323,805 and accrued sick leave totaled $924,995 at June 30, 2022.

An estimated amount, based on a three-year average payout, is accrued as a current liability. The remaining amount of accrued annual and sick leave are categorized as non-current liabilities.

Note 12 - Notes Payable

In October, 2019, the College obtained financing in order to create a student activity center on the Clarkston, WA campus through a certificate of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $1,015,000. In June of 2016 the students assessed themselves, on a quarterly basis, a mandatory fee to service the debt. The interest rate charged is approximately 2.66233%.

In October, 2019, the College obtained financing in order to build the Walla Walla Student Recreation Center building through a certificate of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $5,060,000. In June of 2016 the students assessed themselves, on a quarterly basis, a mandatory fee to service the debt. The interest rate charged is approximately 2.65923%.

Student fees related to these COP(s) are accounted for in a dedicated fund, which is used to pay principal and interest, not coming out of the general operating budget.

In June, 2004, the College obtained financing to purchase property and buildings adjacent to the Clarkston Campus through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $530,000. The interest rate charged is approximately 1.94084%.

In June, 2004, the College obtained financing to purchase property adjacent to the Walla Walla Campus through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $1,110,000. The interest rate charged is approximately 1.96203%.

In June, 2006, the College obtained financing in order to purchase land and construct the Walla Walla Health Science building through a certificate of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $1,095,000. The interest rate charged is approximately 2.12571%.

In June, 2007, the College obtained financing in order to build the Clarkston Health Science Building through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $650,000. The interest rate charged is approximately 2.11868%.

In February, 2017, the College obtained financing to build a Workforce and Business Education building on the Clarkston Campus through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $1,300,000. The interest rate charged is approximately 3.40725%.

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

Note 13 - Annual Debt Service Requirements

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

	Certificates of Participation		
Fiscal year	**Principal**	**Interest**	**Total**
2023	465,000	368,550	833,550
2024	480,000	346,300	826,300
2025	400,000	323,250	723,250
2026	420,000	303,250	723,250
2027	365,000	282,250	647,250
2028-2032	1,905,000	1,138,750	3,043,750
2033-2037	2,440,000	611,000	3,051,000
2038-2039	935,000	70,750	1,005,750
Total	**$ 7,410,000**	**$ 3,444,100**	**$ 10,854,100**

Note 14 - Schedule of Long-Term Liabilities

	Balance outstanding 6/30/21	Additions	Reductions	Net Pension Asset Adjustment	Balance outstanding 6/30/22	Current Portion
Certificates of Participation	$ 7,855,000	$ -	$ 445,000	$ -	$ 7,410,000	$ 465,000
Compensation absences	2,787,313	344,655	883,170	-	2,248,798	246,759
Net pension liability	3,325,659	4,582,458	10,572,232	4,417,135	1,753,020	48,380
Total OPEB liability	16,406,716	6,310,491	6,104,421	-	16,612,786	274,240
Total	**$ 30,374,688**	**$11,237,603**	**$18,004,822**	**$ 4,417,135**	**$ 28,024,604**	**$ 1,034,379**

Note 15 - Retirement Plans

A. General

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

Basis of Accounting

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

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

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

Aggregate Pension Amounts - All Plans		
Net Pension Assets	$	4,417,135
Pension Liabilities	$	1,753,020
Deferred outflows of resources related to pensions	$	2,468,117
Deferred inflows of resources related to pensions	$	7,678,875
Pension Expense	$	(1,498,274)

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 twelve defined benefit pension plans and three defined benefit/defined contribution plans. Below are the DRS plans that the College participates in:

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

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

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

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

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

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

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

PERS

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

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

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

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

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

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

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

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

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

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

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

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

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

TRS

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

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

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

<u>Benefits Provided</u>. 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, at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

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

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

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

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

Contributions
PERS and TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee

contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

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

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

	PERS 1	**PERS 2/3***	**TRS 1**	**TRS 2/3***
Contribution Rate at close of FY22	10.25%	10.25%	14.42%	14.42%
Actual Contributions	$ 230,476	$ 395,098	$ 43,832	$ 56,374

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

Actuarial Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

Discount rate

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

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

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

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

	1% Decrease (6.4%)		Current Discount Rate (7.4%)		1% Increase (8.4%)	
PERS 1	$	763,522	$	448,193	$	173,194
PERS 2/3		(1,336,580)		(4,691,719)		(7,454,677)
TRS 1		107,915		56,301		11,259
TRS 2/3		40,091		(229,910)		(450,163)

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

Pension Liabilities/(Assets). At June 30, 2022, the College reported a total pension liability/(asset) of ($4,417,135) for its proportionate share of the net pension liabilities as follows:

	Liability/(Asset)	
PERS 1	$	448,193
PERS 2/3		(4,691,719)
TRS 1		56,301
TRS 2/3		(229,910)

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

	2020	2021	Change
PERS 1	0.04015%	0.03670%	-0.00345%
PERS 2/3	0.05201%	0.04710%	-0.00491%
TRS 1	0.00869%	0.00836%	-0.00033%
TRS 2/3	0.00887%	0.00836%	-0.00050%

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

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

	Pension Expense	
PERS 1	$	(205,526)
PERS 2/3		(1,112,967)
TRS 1		(23,612)
TRS 2/3		(28,257)
Total		**(1,370,362)**

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

	PERS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	497,344
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	230,476	-
Totals	**$ 230,476**	**$ 497,344**

	PERS 2/3	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	227,870	57,516
Difference between expected and actual earnings of pension plan investments	-	3,921,176
Changes of assumptions	6,856	333,190
Changes in College's proportionate share of pension liabilities	18,660	206,585
Contributions subsequent to the measurement date	395,098	-
Totals	**$ 648,484**	**$ 4,518,467**

	TRS 1	
	Deferred Outflows	**Deferred Inflows**
Difference between expected and actual experience	-	-
Difference between expected and actual earnings of pension plan investments	-	84,406
Changes of assumptions	-	-
Changes in College's proportionate share of pension liabilities	-	-
Contributions subsequent to the measurement date	43,832	-
Totals	**$ 43,832**	**$ 84,406**

	TRS 2/3	
	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	71,426	1,861
Difference between expected and actual earnings of pension plan investments	-	268,047
Changes of assumptions	14,301	12,082
Changes in College's proportionate share of pension liabilities	24,104	18,892
Contributions subsequent to the measurement date	56,374	-
Totals	**$ 166,206**	**$ 300,882**

The $725,780 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2022.

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

Year ended June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2023	$ (131,747)	$ (1,122,589)	$ (22,368)	$ (60,396)
2024	(120,728)	(1,052,138)	(20,467)	(55,915)
2025	(114,153)	(997,963)	(19,370)	(52,246)
2026	(130,717)	(1,052,683)	(22,201)	(59,949)
2027	-	(30,749)		10,168
Thereafter	-	(8,959)		27,287
Total	**$ (497,344)**	**$ (4,265,082)**	**$ (84,406)**	**$ (191,051)**

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

State Board Retirement Plan (SBRP) – Supplemental Defined Benefits Plans
Plan Description. The State Board Retirement Plan is a privately administered, single-employer defined contribution plan with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. 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 meet the definition of a trust or equivalent arrangement. As a result, these plans are now reported under GASB Statement No. 67/68. Prior to this year, the SRP was reported under GASB Statement No. 73.

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

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

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

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

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

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

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

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

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

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

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

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

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

Contributions. Contribution rates for the SBRP (TIAA-CREF) - which are based upon age - are 5%, 7.5%, or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2022 were each $1,404,360.

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

Pension expense for the fiscal year ending June 30, 2022 was -$127,912.14.

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

	Number of Participating Members			
Plan	**Inactive Members or Beneficiaries Currently Receiving Benefits**	**Inactive Members Entitled to But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
SRP	21	6	135	162

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

Schedule of Development of Net Pension Liability	
Walla Walla Community College	
(Dollars in Thousands)	**2022**
Total Pension Liability	
Service Cost	38,433
Interest	129,480
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	572,192
Changes in Assumptions	185,868
Benefit Payments	(76,892)
Change in Proportionate Share of NPL	28,947
Other	-
Net Change in Total Pension Liability	878,028
Total Pension Liability - Beginning	1,694,569
Total Pension Liability - Ending (a)	**2,572,596**
Plan Fiduciary Net Position	
Contributions - Employer	21,244
Contributions - Member	-
Net Investment Income	1,326
Benefit Payments	-
Administrative Expense	-
Other	-
Net Change in Plan Fiduciary Net Position	22,570
Fiduciary Net Position-Beginning	797,007
Fiducairy Net Position-Ending (b)	**819,577**
Net Pension Liability (Asset) -- Ending (a)-(b)	**1,753,020**

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

1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
$2,037,890	$1,753,019	$1,508,697

Deferred Outflows and Inflows of Resources Related to Pensions.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 683,029	$ 781,675
Changes of Assumptions	619,169	1,051,449
Changes in College's proportionate share of pension liability	244,985	0
Difference Between Projected and Actual Earnings on Plan Investments	48,252	98,774
Total	**$ 1,595,435**	**$ 1,931,899**

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

	State Board Supplemental Retirement Plan
2023	(136,073)
2024	(94,044)
2025	(30,974)
2026	(18,570)
2027	(155,196)
Thereafter	98,393

Note 16 - Other Post-Employment Benefits

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

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

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

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

Summary of Plan Participants
As of June 30, 2021

Active Employees*	334
Retirees Receiving Benefits**	160
Retirees Not Receiving Benefits***	5
Total Active Employees and Retirees	499

*Reflects active employees eligible for PEBB program participation as of June 30, 2021.
**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.
***This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

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

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

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

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

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

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

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

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

Total OPEB Liability

As of June 30, 2022, the state reported a total OPEB liability of $6.472 billion. The College's proportionate share of the total OPEB liability is $16,612.785. This liability was determined based on a measurement date of June 30, 2021.

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

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

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

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

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

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

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

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.21 percent for the June 30, 2020 measurement date and 2.16 percent for the June 30, 2021 measurement date.

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

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

Walla Walla Community College

Proportionate Share (%)		**0.2566999454%**
Service Cost	$	830,324
Interest Cost		358,861
Differences Between Expected and Actual Experience		-
Changes in Assumptions*		153,325
Changes of Benefit Terms		-
Benefit Payments		(273,402)
Changes in Proportionate Share		(863,037)
Net Change in Total OPEB Liability		206,071
Total OPEB Liability - Beginning		16,406,715
Total OPEB Liability - Ending	**$**	**16,612,786**

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of the College, calculated using the discount rate of 2.16 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

Discount Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 20,127,568	$ 16,612,786	$ 13,880,068

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 2-11 percent reaching an ultimate range of 4.3 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (1-10 percent) or 1 percentage point higher (3-12 percent) than the current rate:

Health Care Cost Trend Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 13,402,798	$ 16,612,786	$ 20,950,561

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

For the year ending June 30, 2022, the College will recognize OPEB expense of $134,652. OPEB expense consists of the following elements:

Walla Walla Community College

Proportionate Share (%)	**0.2566999454%**
Service Cost	$ 830,324
Interest Cost	358,861
Amortization of Differences Between Expected and Actual Experience	47,647
Amortization of Changes in Assumptions	(489,698)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(612,482)
Total OPEB Expense	**$ 134,652**

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

Walla Walla Community College

Proportionate Share (%)	**0.2566999454%**	
Deferred Inflows/Outflows of Resources	**Deferred Outflows**	**Deferred Inflows**
Difference between expected and actual experience	$ 284,169	$ 64,309
Changes in assumptions	1,057,985	3,011,972
Transactions subsequent to the measurement date	274,240	-
Changes in proportion	-	3,931,020
Total Deferred Outflows/Inflows	**$ 1,616,394**	**$ 7,007,301**

Amounts reported as deferred outflow of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2022. 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 (%)		**0.2566999454%**
2023	$	(1,054,533)
2024	$	(1,054,533)
2025	$	(1,054,533)
2026	$	(1,054,536)
2027	$	(742,957)
Thereafter	$	(704,055)

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

Proportionate Share (%) 2020 **Proportionate Share (%) 2021**		**0.2709527867%** **0.2566999454%**
Total OPEB Liability - Ending 2020	$	16,406,715
Total OPEB Liability - Beginning 2021		15,543,678
Total OPEB Liability Change in Proportion		(863,037)
Total Deferred Inflows/Outflows - 2020		(2,170,262)
Total Deferred Inflows/Outflows - 2021		(2,056,100)
Total Deferred Inflows/Outflows Change in Proportion		114,162
Total Change in Proportion	**$**	**(977,199)**

Note 17 - Operating Expenses by Program

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

Expenses by Functional Classification		
Instruction	$	16,759,707
Scholarships and Other Student Financial Aid		10,371,132
Institutional Support		8,882,112
Student Services		4,861,885
Academic Support Services		4,620,320
Operations and Maintenance of Plant		4,379,420
Depreciation		2,168,244
Auxiliary Enterprises		1,835,033
Total operating expenses	**$**	**53,877,852**

Note 18- Commitments and Contingencies

In September 2021, the College began the construction phase of its new Science and Technology wing, with a total project budget (including design) of $9.6 million. The project is expected to be completed in August 2022.

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

Required Supplementary Information

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Walla Walla Community College's Proportionate Share of the Net Pension Liability

Schedule of Walla Walla Community College's Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.047047%	$ 2,370,015	$ 5,057,376	46.86%	61.19%
2015	0.047908%	$ 2,506,034	$ 5,386,887	46.52%	59.10%
2016	0.046740%	$ 2,510,158	$ 5,522,193	45.46%	57.03%
2017	0.043956%	$ 2,085,746	$ 5,510,818	37.85%	61.24%
2018	0.041244%	$ 1,841,972	$ 5,453,619	33.78%	63.22%
2019	0.041475%	$ 1,594,861	$ 5,836,472	27.33%	67.12%
2020	0.040150%	$ 1,417,512	$ 6,049,528	23.43%	68.64%
2021	0.036700%	$ 448,193	$ 5,650,272	7.93%	88.74%
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Walla Walla Community College's Proportionate Share of the Net Pension Liability

Schedule of Walla Walla Community College's Share of the Net Pension Liability (Assets)					
Public Employees' Retirement System (PERS) Plan 2/3					
Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.057918%	$ 1,170,732	$ 4,955,365	23.63%	93.29%
2015	0.059767%	$ 2,135,509	$ 5,303,083	40.27%	89.20%
2016	0.058573%	$ 2,949,105	$ 5,468,697	53.93%	85.82%
2017	0.055956%	$ 1,944,204	$ 5,484,177	35.45%	90.97%
2018	0.052318%	$ 893,282	$ 5,427,571	16.46%	95.77%
2019	0.053294%	$ 517,666	$ 5,826,059	8.89%	97.77%
2020	0.052008%	$ 665,153	$ 6,037,970	11.02%	97.22%
2021	0.047098%	$ (4,691,719)	$ 5,649,538	-83.05%	120.29%
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Walla Walla Community College's Proportionate Share of the Net Pension Liability

Schedule of Walla Walla Community College's Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.009257%	$ 273,031	$ 338,142	80.74%	68.77%
2015	0.009708%	$ 307,563	$ 387,476	79.38%	65.70%
2016	0.010622%	$ 362,660	$ 459,740	78.88%	62.07%
2017	0.008157%	$ 246,608	$ 366,150	67.35%	65.58%
2018	0.007560%	$ 220,797	$ 443,419	49.79%	66.52%
2019	0.007064%	$ 174,891	$ 471,490	37.09%	70.37%
2020	0.008687%	$ 209,251	$ 633,424	33.03%	70.55%
2021	0.008362%	$ 56,301	$ 625,198	9.01%	91.42%
2022					
2023					

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

Cost Sharing Employer Plans

Schedules of Walla Walla Community College's Proportionate Share of the Net Pension Liability

Schedule of Walla Walla Community College's Share of the Net Pension Liability (Assets) Teachers' Retirement System (TRS) Plan 2/3 Measurement Date of June 30					
Fiscal Year	College's proportion of the net pension liability	College proportionate share of the net pension liability	College covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan's fiduciary net position as a percentage of the total pension liability
2014	0.006200%	$ 20,025	$ 266,847	7.50%	96.81%
2015	0.006759%	$ 57,033	$ 315,420	18.08%	92.48%
2016	0.007771%	$ 106,719	$ 385,341	27.69%	88.72%
2017	0.005180%	$ 47,808	$ 284,032	16.83%	93.14%
2018	0.007560%	$ 34,029	$ 439,273	7.75%	96.88%
2019	0.007123%	$ 42,918	$ 471,490	9.10%	96.36%
2020	0.008866%	$ 136,180	$ 633,424	21.50%	91.72%
2021	0.008364%	$ (229,910)	$ 625,198	-36.77%	113.72%
2022					
2023					

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

Pension Plan Information

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 208,243	$ 208,243	$ -	$ 5,057,376	4.12%
2015	$ 220,184	$ 220,184	$ -	$ 5,386,887	4.09%
2016	$ 265,060	$ 265,060	$ -	$ 5,522,193	4.80%
2017	$ 264,406	$ 264,406	$ -	$ 5,510,818	4.80%
2018	$ 275,682	$ 275,682	$ -	$ 5,453,619	5.06%
2019	$ 299,308	$ 299,308	$ -	$ 5,836,472	5.13%
2020	$ 288,895	$ 288,895	$ -	$ 6,049,528	4.78%
2021	$ 274,341	$ 274,341	$ -	$ 5,650,272	4.86%
2022	$ 230,476	$ 230,476	$ -	$ 6,211,970	3.71%
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Public Emplyees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 244,668	$ 244,668	$ -	$ 4,955,365	4.94%
2015	$ 266,232	$ 266,232	$ -	$ 5,303,083	5.02%
2016	$ 338,137	$ 338,137	$ -	$ 5,468,697	6.18%
2017	$ 341,774	$ 341,774	$ -	$ 5,484,177	6.23%
2018	$ 403,689	$ 403,689	$ -	$ 5,427,571	7.44%
2019	$ 437,818	$ 437,818	$ -	$ 5,826,059	7.51%
2020	$ 478,163	$ 478,163	$ -	$ 6,037,970	7.92%
2021	$ 447,418	$ 447,418	$ -	$ 5,649,538	7.92%
2022	$ 395,098	$ 395,098	$ -	$ 6,211,970	6.36%
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 18,306	$ 18,306	$ -	$ 338,142	5.41%
2015	$ 21,724	$ 21,724	$ -	$ 387,476	5.61%
2016	$ 26,475	$ 26,475	$ -	$ 459,740	5.76%
2017	$ 28,545	$ 28,545	$ -	$ 366,150	7.80%
2018	$ 31,442	$ 31,442	$ -	$ 443,419	7.09%
2019	$ 34,810	$ 34,810	$ -	$ 471,490	7.38%
2020	$ 45,541	$ 45,541	$ -	$ 633,424	7.19%
2021	$ 46,277	$ 46,277	$ -	$ 625,198	7.40%
2022	$ 43,832	$ 43,832	$ -	$ 699,762	6.26%
2023					

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

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 15,214	$ 15,214	$ -	$ 266,847	5.70%
2015	$ 17,962	$ 17,962	$ -	$ 315,420	5.69%
2016	$ 31,172	$ 31,172	$ -	$ 385,341	8.09%
2017	$ 19,087	$ 19,087	$ -	$ 284,032	6.72%
2018	$ 33,610	$ 33,610	$ -	$ 439,273	7.65%
2019	$ 36,918	$ 36,918	$ -	$ 471,490	7.83%
2020	$ 51,535	$ 51,535	$ -	$ 633,424	8.14%
2021	$ 50,954	$ 50,954	$ -	$ 625,198	8.15%
2022	$ 56,374	$ 56,374	$ -	$ 699,762	8.06%
2023					

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

State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Net Pension Liability and Related Ratios
Walla Walla Community College
Fiscal Year Ended June 30, 2022
(expressed in thousands)

	2017	2018	2019	2020	2021	2022
Total Pension Liability						
Service Cost	$ 152,751	$ 107,327	$ 77,544	$ 95,045	$ 115,429	$ 38,433
Interest	99,089	98,633	93,798	106,915	82,100	129,480
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(714,434)	(291,692)	(102,123)	225,271	(740,725)	572,192
Changes of assumptions	(168,626)	(98,689)	11,576	601,917	(1,336,868)	185,868
Benefit Payments	(25,435)	(36,458)	-	(48,256)	(49,215)	(76,892)
Change in Proportionate Share	-	(14,000)	(16,410)	(18,324)	(340,626)	28,947
Other	-	-		-	-	-
Net Change in Total Pension Liability	**(656,655)**	**(234,879)**	**64,385**	**962,568**	**$ (2,269,905)**	**$ 878,028**
Total Pension Liability - Beginning	3,337,000	2,680,000	2,445,000	3,001,899	3,964,469	1,694,569
Total Pension Liability - Ending (a)	**$ 2,680,345**	**$ 2,445,121**	**$ 2,509,385**	**$ 3,964,467**	**$ 1,694,564**	**$ 2,572,597**
Plan Fiduciary Net Position**						
Contributions-Employer	n/a	n/a	n/a	n/a	$ 16,207	$ 21,244
Contributions - Member	n/a	n/a	n/a	n/a	-	-
Net Investment Income	n/a	n/a	n/a	n/a	202,865	1,326
Benefit Payments	n/a	n/a	n/a	n/a	-	-
Administrative Expense	n/a	n/a	n/a	n/a	-	-
Other	n/a	n/a	n/a	n/a	(24)	-
Net Change in Plan Fiduciarey Net Position					**$ 219,048**	**$ 22,570**
Plan Fiduciary Net Position-Beginning					577,959	797,007
Plan Fiducairy Net Position-Ending (b)					**$ 797,007**	**$ 819,577**
Plan's Net Pension Liability (Asset) -- Ending (a)-(b)					**$ 897,557**	**$ 1,753,020**
College's Proportion of the Pension Liability	**2.819837%**	**2.804457%**	**2.719480%**	**2.702880%**	**2.470649%**	**2.550328%**
Covered-employee payroll	**$ 15,894,000**	**$16,104,000**	**$16,128,549**	**$16,823,345**	**$ 15,683,194**	**$17,990,247**
Total Pension Liability as a percentage of covered-employee payroll	**0.168638768**	**0.151833146**	**0.155586531**	**0.235652719**	**0.108049672**	**0.142999507**

Schedule of Employer Contributions State Board Supplemental Retirement Plan Walla Walla Community College Fiscal Year Ended June 30, 2022		
	2021	2022
Statutorily determined contributions	$ 1,352,034	$ 1,404,360
Actual contributions in relation to the above	$ 1,352,034	$ 1,404,360
Contribution deficiency (excess)	$ -	$ -
Covered Payroll	$ 15,683,194	$ 17,990,247
Contribution as a % of covered payroll	8.62%	7.81%

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

State Board Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

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

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

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

Required Supplementary Information

Other Postemployment Benefits Information

Schedule of Changes in Total OPEB Liability and Related Ratios Measurement Date of June 30*					
Total OPEB Liability	**2018**	**2019**	**2020**	**2021**	**2022**
Service cost	$ 1,306,071	$ 1,001,031	$ 716,314	$ 680,830	$ 830,324
Interest cost	611,772	688,203	621,361	569,525	358,861
Difference between expected and actual experience	-	628,196	-	(87,274)	-
Changes in assumptions	(2,984,233)	(4,382,367)	1,157,138	369,178	153,325
Changes in benefit terms	-	-	-	-	-
Benefit payments	(311,769)	(290,663)	(284,235)	(271,159)	(273,402)
Changes in proportionate share	(495,146)	(898,738)	(530,676)	(1,965,163)	(863,037)
Other	-	-	-	(580,103)	-
Net Changes in Total OPEB Liability	$ (1,873,305)	$ (3,254,338)	$ 1,679,902	$ (1,284,166)	$ 206,071
Total OPEB Liability - Beginning	$ 21,138,622	$ 19,265,317	$ 16,010,979	$ 17,690,881	$ 16,406,715
Total OPEB Liability - Ending	$ 19,265,317	$ 16,010,979	$ 17,690,881	$ 16,406,715	$ 16,612,786
College's proportion of the Total OPEB Liability (%)	0.33068837%	0.31526156%	0.30481236%	0.27095279%	0.25669995%
Covered-employee payroll	$ 22,019,108	$ 24,940,128	$ 23,568,145	$ 22,064,312	$ 24,859,293
Total OPEB Liability as a percentage of covered-employee payroll	87.493630%	64.197661%	75.062678%	74.358606%	66.827266%

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

Notes to Required Supplementary Information

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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